

Canadian Food Inspection Agency

2011–12

Performance Report

Approved:

The Honourable Gerry Ritz, PC, MP
Minister of Agriculture and Agri-Food

For the period ending March 31, 2012



Canadian Food
Inspection Agency

Agence canadienne
d'inspection des aliments

2011–12

Performance Report

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For the period ending March 31, 2012



Canada 

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Minister's Message

The Honourable Gerry Ritz, PC, MP
Minister of Agriculture and Agri-Food



I am pleased to present the *Performance Report 2011–12* for the Canadian Food Inspection Agency (CFIA). It outlines the Agency's wide range of achievements in helping to ensure that Canada has a safe and accessible food supply and plant and animal resource base. The CFIA works within the Agriculture Portfolio team to tackle the agriculture sector's challenges, while helping the sector to capitalize on its tremendous potential for growth and future profitability.

In protecting both consumers and the interests of Canadian industry; the CFIA continues to address the challenges of a complex and ever-changing food safety landscape and to respond to emerging animal and plant health risks. This

is thanks in large measure to its highly trained and adaptive workforce that is supported by effective training and improved tools. The Government of Canada has taken important steps to help ensure the CFIA's continued capacity to deal with the complexities associated with the protection of food safety and to support the ongoing evolution of Canada's world class food safety system.

So that we may maintain the quality of our food safety system into the future, there is a need to strengthen and modernize the legislation on which it is based. That is why the Government recently tabled, in Parliament, the *Safe Food for Canadians Act*. This legislation, once enacted, will: improve food safety oversight to better protect consumers; streamline and strengthen legislative authorities; and enhance international market opportunities for Canadian industry.

Further, Budget 2012 made an additional investment in food safety of \$51.2 million over the next two years for Listeriosis. Resources to support increased frequency of food inspections in meat processing plants was also extended as part of Budget 2012 and will be added to the Agency's budget later in the year. Investments in Canada's food safety system such as these continue to help the CFIA modernize its inspection system, update its program frameworks, and strengthen its relationship with Canadians, industry, and international stakeholders. The Government is also pursuing complementary activities to strengthen Canada's food safety system, including plans to streamline and accelerate the process by which foods are regulated.

To follow through on its commitment for action in protecting consumers and the food they eat, the Government published the final progress report on its work to address the recommendations found in the *Report of the Independent Investigator into the 2008 Listeriosis Outbreak*. Every recommendation has been acted upon and completed.

From an industry perspective, the CFIA continued to support Canadian agricultural and agri-food businesses' ability to access domestic and global markets. More specifically, as a key partner in the Market Access Secretariat, the CFIA actively participated in the resolution of 47 technical market access issues thereby helping to facilitate international trade in Canadian food products, animals and plants, and their products.

The CFIA also took steps in 2011–12 to strengthen communication and interaction between the Agency, consumers, producers, and the entire value chain. By defining and publishing its Statement of Rights and Service, developing user fee standards and launching a new Complaints and Appeals Office, the CFIA has provided consumers and businesses alike with a more transparent and accessible way to learn what they can expect in terms of service and to register complaints and appeals regarding CFIA's decisions or service quality. These were foundational steps towards strengthening interaction with our regulated parties, stakeholders, and partners.

All of this contributes to better health, safety and economic outcomes for Canadians.

The Honourable Gerry Ritz, PC, MP
Minister of Agriculture and Agri-Food

Management Representation Statement for Performance Information



The Canadian Food Inspection Agency's (CFIA) *2011–12 Performance Report* for the year ending March 31, 2012, was prepared under my direction and the CFIA's Senior Management Committee, and approved by the Minister of Agriculture and Agri-Food. In accordance with the *Canadian Food Inspection Agency Act*, the report also includes an assessment of the fairness and reliability of the performance information conducted by the Auditor General of Canada.

I submit for tabling in Parliament the *2011–12 Performance Report* for the CFIA.

This document has been prepared based on the following reporting principles contained in the Guide for the Preparation of Part III of the Estimates: *2012–13 Report on Plans and Priorities* and *2011–12 Departmental Performance Report*:

- It adheres to the specific reporting requirements outlined in Treasury Board Secretariat guidance;
- It is based on the CFIA's Strategic Outcome and Program Activity Architecture that were approved by Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

George DaPont
President, Canadian Food Inspection Agency

Section I: Agency Overview

1.1 Raison d'être

The Canadian Food Inspection Agency (CFIA) is Canada's largest science-based regulatory agency. It has over 7200¹ employees working across Canada, in the National Capital Region (NCR) and in four operational areas (Atlantic, Quebec, Ontario and Western).

The CFIA is dedicated to safeguarding food, animal and plant health, which enhances the health and well-being of Canada's people, environment, and economy.

CFIA develops and delivers inspection and other services to:

- prevent and manage food safety risks;
- protect plant resources from pests, diseases and invasive species;
- prevent and manage animal and zoonotic diseases;
- contribute to consumer protection; and
- contribute to market access for Canada's food, plants, and animals.

CFIA bases its activities on science, effective management of risk, commitment to service and efficiency, and collaboration with domestic and international organizations that share its mandate.

THE CFIA'S LEGISLATIVE AUTHORITY

CFIA Wide

- *Agriculture and Agri-Food Administrative Monetary Penalties Act*
- *Canadian Food Inspection Agency Act*

Food

- *Canada Agricultural Products Act*
- *Consumer Packaging and Labelling Act* (as it relates to food)
- *Fish Inspection Act*
- *Food and Drugs Act* (as it relates to food)
- *Meat Inspection Act*

Plant

- *Fertilizers Act*
- *Plant Breeders' Rights Act*
- *Plant Protection Act*
- *Seeds Act*

Animal

- *Health of Animals Act*
- *Feeds Act*
- *Seeds Act*

¹ This number also includes active, leave without pay, paid leave, and suspended employees.

1.2 Responsibilities

The CFIA is responsible for administering and enforcing 13 federal statutes and 38 sets of regulations, for regulating the safety and quality of food sold in Canada and for supporting a sustainable plant and animal resource base. The CFIA shares many of its core responsibilities with other federal departments and agencies, with provincial, territorial and municipal authorities, and with other stakeholders.

The CFIA works with its partners to implement food safety measures; manage food, animal and plant risks and emergencies; and promote the development of food safety and disease control systems to maintain the safety of Canada's high-quality agriculture, agri-food, aquaculture and fishery products. The CFIA's activities include verifying the compliance of imported products; registering and inspecting establishments; testing food, animals, plants, and their related products; and approving the use of many agricultural inputs. The CFIA also provides scientific advice, develops new technologies, provides testing services, and conducts regulatory research.

At the CFIA, decisions are based on high-quality, timely, relevant science. Science informs policy development and program design and delivery through foresight, advice, risk assessment, the influence of international standards, research and development, and testing.

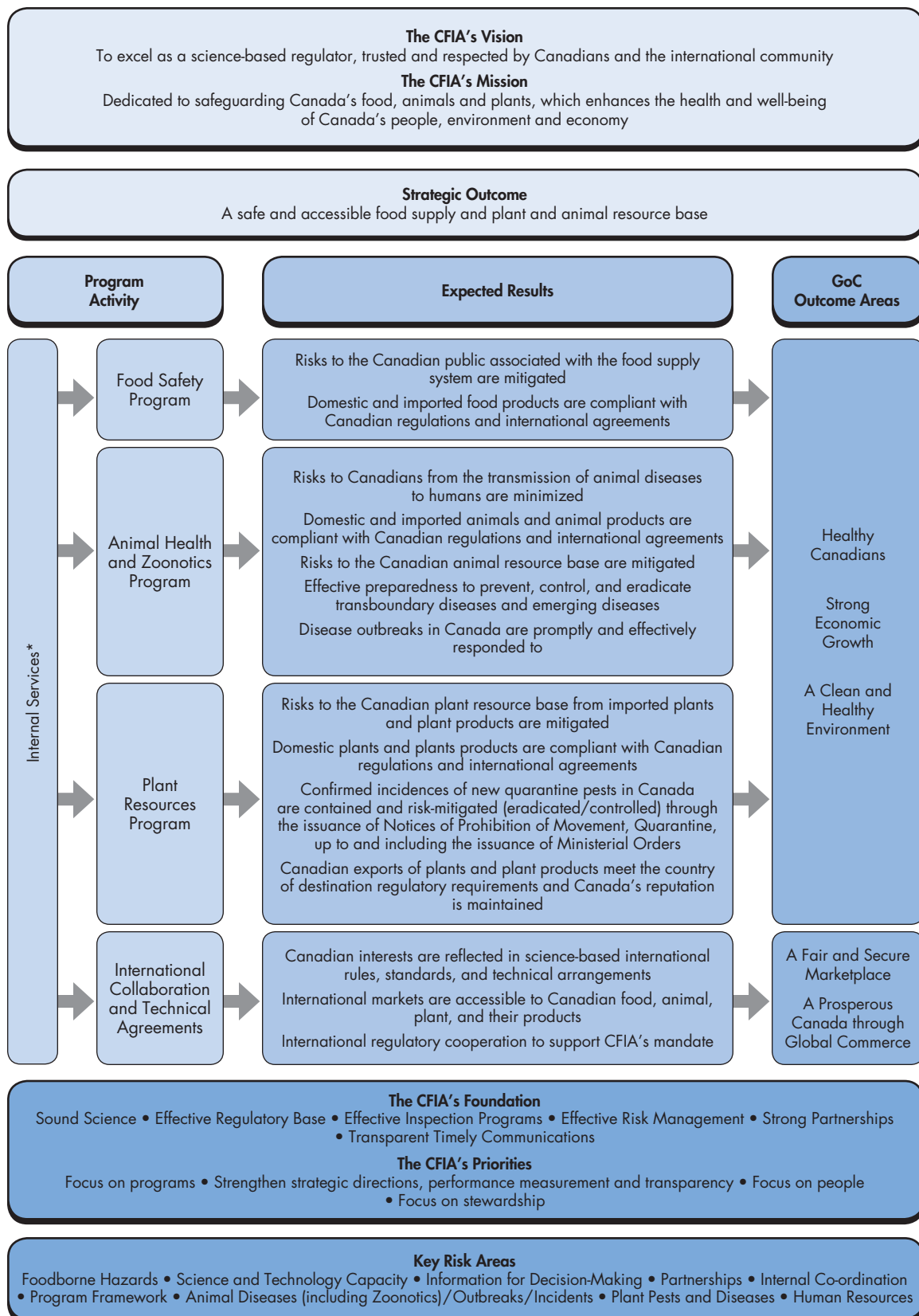
THE CFIA'S KEY FEDERAL PARTNERS

- Agriculture and Agri-Food Canada
- Health Canada
- Public Health Agency of Canada
- Canadian Grain Commission
- Public Safety Canada
- Canada Border Services Agency
- Fisheries and Oceans Canada
- Natural Resources Canada, including Canadian Forest Service
- Foreign Affairs and International Trade Canada
- Environment Canada, including Canadian Wildlife Service

1.3 Strategic Outcome and Program Activity Architecture (PAA)

To effectively fulfill its responsibilities in safeguarding Canada's food and sustaining its animal and plant resource base, the CFIA aims to achieve one strategic outcome (a safe and accessible food supply and plant and animal resource base).² The CFIA's Program Activity Architecture (PAA), shown in Figure 1, illustrates how the CFIA's strategic outcome aligns with those of the Government of Canada (GOC) and reflects how the CFIA plans to allocate and manage its resources to achieve the corresponding expected results. In 2011–12, a new PAA, consisting of one Strategic Outcome and five Program Activities, was established to better reflect how the CFIA operates. The CFIA's priorities are reviewed annually to facilitate effective resource management within the context of the PAA framework.

² Strategic outcome: is a long-term and enduring benefit to Canadians that stems from the Agency's vision and mission. It represents the difference the Agency intends to make for Canadians.



* The Internal Services program activity supports the CFIA's strategic outcome and all its program activities

Figure 1: Program Activity Architecture for the CFIA

1.4 Organizational Priorities

For 2011–12, the CFIA identified four Agency-wide Business Priorities to continue to strengthen the CFIA's foundations, mitigate strategic risks, and help effectively deliver its core program activities. The following table summarizes the CFIA's performance with respect to achieving these priorities. Additional details are provided in Section II.

Operational Priority	Type ³	Strategic Outcome(s) and/or Program Activity(ies)
Focus on Programs	Ongoing	Link to Food Safety Program (2.2.1.1), Animal Health and Zoonotics Program (2.2.1.2), and Plant Resources Program (2.2.1.3)
<p>The CFIA's services are built on a foundation of legislation, regulatory programs, and inspection delivery. Keeping this foundation strong is key to the CFIA's effective and efficient service delivery. In this regard the CFIA continued to systematically review and strengthen its program and regulatory framework in order to protect the public, consumers, animals and plants, and contribute to trade and fair market access.</p> <p>Additionally, knowing that the stewardship of food safety and plant and animal health is a shared responsibility, the CFIA, through its collaborative efforts and partnership opportunities with industry, consumers, federal, provincial, and municipal governments and organizations, as well as international partners, continued to work towards protecting Canadians from preventable health risks related to unsafe food and zoonotic diseases as well as preventable risks solely related to animal and plant health.</p>		


Management Priority	Type ³	Strategic Outcome(s) and/or Program Activity(ies)
Strengthen Strategic Directions, Performance Measurement and Transparency	New	This management priority is part of Internal Services (2.2.1.5), which contributes to all Program Activities
<p>The CFIA developed a service-centered agenda focused on prevention and on improving service delivery. In an effort to determine how it will position itself in the future, the CFIA continued to work on the development of a Long-Term Strategic Plan (LTSP). This plan will be instrumental in setting a long-term vision for the CFIA, determining focus areas, major goals, and strategies in order to ultimately create a strategic framework for the CFIA.</p> <p>The CFIA also took concrete steps in the development of a suite of transparency and service-related initiatives that will provide a basis for interaction with stakeholders. This suite includes a transparency policy, a statement of rights and service, guides to inspection, the establishment of service standards, and a consultation policy and framework. The CFIA also launched a Complaints and Appeals Office which will provide a more transparent way for external partners to register complaints.</p> <p>Further to this, because stakeholders desire and expect information and services to be available on the internet, the CFIA is implementing its Web Communications Strategy. Once fully implemented, the CFIA's website will provide Canadians with easy access to services and important information in a format that Canadians want and expect.</p>		

³ Type is defined as follows: Previously committed to – committed to in the first or second fiscal year before the subject year of the report; Ongoing – continuing or permanent commitment; and New – newly committed to in the reporting year of the DPR.

Management Priority	Type ³	Strategic Outcome(s) and/or Program Activity(ies)
Focus on People	New	This management priority is part of Internal Services (2.2.1.5), which contributes to all Program Activities
<p>The CFIA depends on a highly skilled, multi-disciplinary staff complement located across the country to deliver on its mandate. With this in mind the CFIA continued to implement its <i>2008 –2013 CFIA Renewal Plan</i> in an effort to have the right people in the right place at the right time.</p> <p>Furthermore, to attract, develop and retain a human resources base with the necessary skills and competencies to effectively deliver on its responsibilities, the CFIA continued to engage and train employees, including front line staff, in support of career development. These actions continue to improve organizational performance and to maintain a vibrant workforce.</p>		

Management Priority	Type ³	Strategic Outcome(s) and/or Program Activity(ies)
Focus on Stewardship	New	This management priority is part of Internal Services (2.2.1.5) which contributes to all Program Activities
<p>The effective management of any organization, particularly one as large and complex as the CFIA, depends upon a stable analytical foundation for strategic and operational decision making and the demonstration of value and performance.</p> <p>In support of this priority, the CFIA finalized work on the information management & information technology campaign plan. This plan was developed collaboratively and cooperatively with the horizontal committees and enables the CFIA to invest in areas that will give inspectors and scientists the ability to leverage technology in order to be successful in their day-to-day operations in safeguarding the nation's food supply and plant and animal health.</p> <p>The CFIA also continued to review and strengthen its project management capacity to ensure effective delivery of large-scale projects within the CFIA.</p>		

1.5 Risk Analysis

A cornerstone of the CFIA's risk management process is the development of a Corporate Risk Profile (CRP). While the CFIA's day-to-day service delivery is focused on controlling and mitigating operational risks, the CRP, which was updated for 2011–12, focuses on strategic risks and identifies mitigation strategies for addressing those risks. The following is a summary of the CFIA's strategic risk areas, as outlined in the CRP, and the associated mitigation strategies. Detailed information on progress achieved under each of the mitigation strategies can be found in Section 2.2.1 where a  symbol has been included.

CFIA Risk Areas	Mitigation Strategies
<p>1. Foodborne hazards</p> <p><i>The CFIA, and co-operating jurisdictions, may fail to detect, track and/or mitigate foodborne pathogens, toxins, chemical contaminants and other food-borne hazards that could pose a threat to human health.</i></p>	<p>Improving and modernizing inspection approaches</p> <ul style="list-style-type: none"> • Food and Consumer Safety Action Plan • Compliance Verification System • Address key recommendations of the Report of the Independent Investigator into the 2008 Listeriosis Outbreak • Inspection Modernization Initiative <p>Maintaining capacity to predict and respond to emergencies</p> <ul style="list-style-type: none"> • Public Warnings for Class I Food <p>Carrying out education and outreach activities</p> <ul style="list-style-type: none"> • The Consumer Association Roundtable <p>Collaborating with partners and stakeholders to enhance program and regulatory frameworks</p> <ul style="list-style-type: none"> • Food Import Program
<p>2. Animal Diseases (including zoonotics) / outbreaks / incidents</p> <p><i>The CFIA may fail to prevent the entry and/or spread of an animal disease that either threatens the animal resource base and/or is potentially transmissible to humans (a zoonotic).</i></p>	<p>Conducting animal disease surveillance, detection and control activities</p> <ul style="list-style-type: none"> • National Biosecurity Strategy • National Aquatic Animal Health Program (NAAHP) • Bovine Spongiform Encephalopathy (BSE) Program <p>Collaborating with partners to enhance program and regulatory frameworks</p> <ul style="list-style-type: none"> • National Farmed Animal Health and Welfare Strategy • Implement recommendations from Auditor General's report on CFIA preparedness for animal disease emergencies ("Animal Disease – Canadian Food Inspection Agency") • Traceability framework <p>Collaborating with partners and stakeholders to enhance program and regulatory frameworks</p> <ul style="list-style-type: none"> • Animal Import Program

CFIA Risk Areas	Mitigation Strategies
<p>3. Plant Pest and Diseases</p> <p><i>The CFIA may fail to appropriately prevent, detect, contain and mitigate a pest or disease that threatens the plant resource base.</i></p>	<p>Conducting plant disease surveillance, detection and control activities</p> <ul style="list-style-type: none"> • Implement recommendations from Auditor General's Report on "Managing risks to Canada's plant resources – Canadian Food Inspection Agency " <p>Preventing the spread of invasive alien species and assessing agricultural products for safety and efficacy</p> <ul style="list-style-type: none"> • National Invasive Alien Species (IAS) Strategy <p>Collaborating with partners and stakeholders to enhance program and regulatory frameworks</p> <ul style="list-style-type: none"> • National farm level biosecurity standards (under the Growing Forward initiative) • Modernization of plant import program
<p>4. Human Resources</p> <p><i>The CFIA may be unable to attract, develop and retain a human resource base with the necessary competencies to fully and effectively deliver on its responsibilities.</i></p>	<p>Implement the CFIA Renewal Plan (2008–2013)</p> <p>Conducting engagement, training and career development</p> <ul style="list-style-type: none"> • Implement priority-setting for and consistent delivery of scientific and technical training and leadership development at the Agency • Continue to support mandatory and developmental language training • Develop an internal communications and employee engagement strategy that provides opportunities for two-way communications and promotes an environment that encourages employee satisfaction, motivation and commitment • Budget 2011 investments in inspector training
<p>5. Science and Technology Capacity</p> <p><i>The CFIA's science and/or technology capacity (e.g. methods, tests and practices) may not remain abreast of new scientific or regulatory developments.</i></p>	<p>Ensure research activities align with risks, develop science and technology capacity, foster stronger research collaborations, and stay abreast of new scientific or regulatory developments.</p> <ul style="list-style-type: none"> • Genomics Research and Development Initiative • Develop new detection and identification methodologies such as molecular methods for the identification and differentiation of various crop kinds and the development of improved diagnostic tests for henipaviruses⁴ • Develop, modify, validate and implement methods and rapid tests to detect and characterize viruses and parasites in food • Budget 2011 investments in science capacity

⁴ The henipavirus family consists of the Hendra and Nipah viruses that are naturally found in fruit bats. These viruses are known to cause fatal disease in horses and humans. The henipaviruses are currently limited to Australia and South Asia.

CFIA Risk Areas	Mitigation Strategies
<p>6. Information for Decision Making</p> <p><i>Performance, analytical and scientific information may be insufficiently compiled, focused and defined to appropriately support decision making and reporting in the CFIA.</i></p>	<p>Developing the basis for the compilation, interpretation and analysis of organizational information</p> <ul style="list-style-type: none"> • Develop an IM/IT Strategic Plan (referred to as the IM/IT Campaign Plan) • Complete analysis of aging IM/IT systems and infrastructure as well as a complete capacity assessment • Develop Performance Management and Reporting System (PMRS) to enhance performance tracking and reporting in the Agency • Creation of Business Intelligence Management Centre to produce timely, consistent, accessible and trusted information
<p>7. Partnerships</p> <p><i>The roles and responsibilities of key partners may be insufficiently coordinated to support program delivery.</i></p>	<p>Enhancing relationships with partners and stakeholders</p> <ul style="list-style-type: none"> • Leverage partnerships with other government departments, and with provinces and universities to strengthen laboratory and scientific networks • Implement the renewed Consultation Framework • Engaged with the United States through the Beyond the Border Initiative (BtB): and the Canada – United States Regulatory Cooperation Council (RCC)
<p>8. Internal Coordination</p> <p><i>There may be insufficient coordination within the CFIA to support program design and delivery.</i></p>	<p>Improving internal coordination</p> <ul style="list-style-type: none"> • Continue to improve governance and horizontal management
<p>9. Program Framework</p> <p><i>The CFIA's legislative, regulatory and program framework may be insufficient to protect Canadian consumers and facilitate trade.</i></p>	<p>Enhancing the Agency's regulatory framework with respect to consumer protection</p> <ul style="list-style-type: none"> • Continue to work towards renewal of the legislative framework for food safety • Develop a legislative framework for traceability • Plan to modernize/update the regulatory framework

1.6 Summary of Performance

2011–12 Financial Resources (\$ millions)

Planned Spending	Total Authorities*	Actual Spending*
744.0	794.4	737.7
*Excludes amount deemed appropriated to Shared Services Canada. Please see Section 2.3 for more information.		

The variance between Planned Spending and Total Authorities is mainly attributed to the following: new funding received for Food Safety Modernization and for the development of a Traceability Information Sharing Solution; funding received to continue the Growing Forward Program Suite; funding from the 2010-11 carry forward as well as increases related to statutory items. In addition, the CFIA transferred resources to Shared Services Canada. The variance between Total Authorities and Actual spending can be explained in part by unspent resources in several initiatives such as the Food and Consumer Safety Action Plan; Food Safety Modernization; the Government's response to Listeriosis; Bovine Spongiform Encephalopathy (BSE); funding received for the development of a Traceability Information Sharing Solution and Invasive Alien Species (IAS). In addition, the Agency put in place spending restraint measures during the last quarter of the fiscal year to ensure that there would be resources available via the carry forward to address known pressures in 2012–13.

2011–12 Human Resources Full-Time Equivalents (FTEs)

Planned	Actual	Difference
6,914	6,623	(291)

FTE is a standard financial measure used to capture the total paid hours of an organization's workforce over the course of a fiscal year. For example, one FTE could represent one full-time employee or two part-time employees whose time is split equally over the year. FTE amounts differ from the total number of employees shown in Section 1.1 (7,200) as the latter considers the number of individuals employed by the CFIA at a specific point in time, including active employees, those on leave status as well as suspended employees. Actual FTEs are lower than Planned primarily due to spending restraint measures put in place by the Agency during the last quarter of the fiscal year. This resulted in fewer hires than planned.

Summary of Performance Tables

Strategic Outcome: A safe and accessible food supply and plant and animal resource base

Performance Summary, Excluding Internal Services

Program Activity	2010-11 Actual Spending	2011-12 (\$ millions)				Alignment to Government of Canada Outcomes
		Main Estimates	Planned Spending	Total Authorities	Actual Spending	
Food Safety Program	313.8	326.5	351.5	355.9	328.9	Healthy Canadians
Animal Health and Zoonotics Program	133.9	131.3	131.3	149.4	140.3	Healthy Canadians
Plant Resources Program	80.1	84.6	84.6	91.6	84.0	A Clean and Healthy Environment
International Collaboration and Technical Agreements	33.3	44.3	44.3	45.4	34.8	A Prosperous Canada through Global Commerce
Total	561.1	586.7	611.7	642.3	588.0	

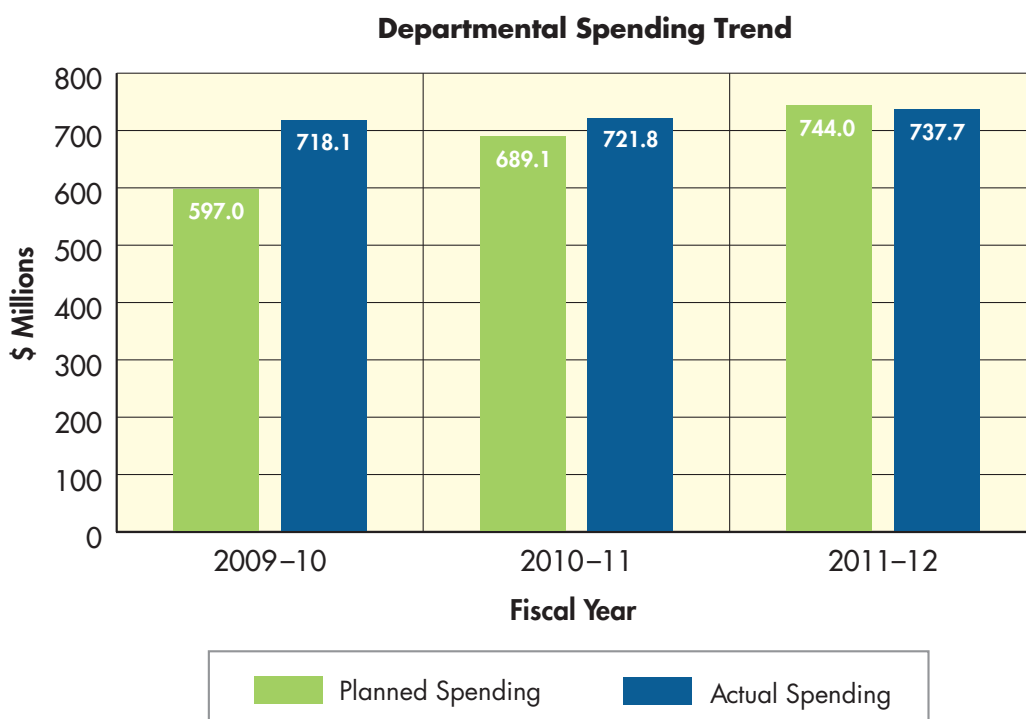
Internal Services

Internal services consist of groups that perform related activities and resources that are administered to support the needs of the programs and the corporate obligations of an organization. These groups include the following: Management and Oversight Services, Communication Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Security Management Services, Environmental Management Services, Materiel Management Services, Procurement Services, and Travel and Other Administrative Services.

Performance Summary for Internal Services

Program Activity	2010-11 Actual Spending	2011-12 (\$ millions)			
		Main Estimates	Planned Spending	Total Authorities*	Actual Spending*
Internal Services	160.7	132.3	132.3	152.1	149.7
*Excludes amount deemed appropriated to Shared Services Canada. Please see Section 2.3 for more information.					

1.7 Expenditure Profile



Planned Spending has increased steadily from 2009–10 to 2011–12. This is mainly due to incremental resources received for new or existing initiatives such as: the Food and Consumer Safety Action Plan; the Government’s Response to Listeriosis; increased frequency of food inspections in meat processing establishments; the Pork Industry Recovery and Expansion Strategy; collective bargaining; Food Safety Modernization; and funding received for a traceability information sharing solution.

1.8 Estimates by Vote

For information on Canadian Food Inspection Agency’s organizational votes and/or statutory expenditures, please see the *Public Accounts of Canada 2012* (Volume II). An electronic version is available at <http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html>

1.9 Office of the Auditor General Reports

The Auditor General has assessed the Canadian Food Inspection Agency's performance information presented in Section 2 of this report. This assessment is only a review level of assurance, and does not constitute an audit. The Auditor General's Assessment Report is included in front of the performance information in Section 2.

The Auditor General has audited the Canadian Food Inspection Agency's financial statements. These financial statements and the auditor's report are presented in Section 3.

The Auditor General has not evaluated or audited any other sections of this report.

Section II: Analysis of Program Activities by Strategic Outcome

2.1 How the Agency Plans and Reports Outcomes

In accordance with the Treasury Board Secretariat's (TBS) Management, Resources and Results Structure (MRRS) Policy, the CFIA planning and reporting framework is based on a desired strategic outcome, a PAA, and an associated governance framework. The PAA is aligned with desired GoC outcomes and takes into consideration the impact of several factors – including the global and national environment, GoC priorities, CFIA strategic risks, CFIA's human and financial resource capacity, and the outcomes of CFIA's past performance and related lessons learned.

This report highlights key accomplishments and gives an account of the progress made in advancing the plans and priorities identified in the CFIA's *2011–12 Reports on Plans and Priorities* (RPP). Under strategic outcome and program activities, details are given on performance as it relates to special initiatives, risk mitigation strategies, and ongoing activities. Special focus is given to how this affects Canadians.

Section 2.2 of this report describes performance information, including highlights, challenges, lessons learned, and expected results for the strategic outcome, measured against targets through the use of compliance and other relevant performance indicators.

2.1.1 Assessment of Compliance and Performance Targets

Given the complexity and inherent variability of the agriculture, agri-food, forestry, and fishery production, processing, and distribution sectors, the approach to assessing compliance varies across commodity groups. The CFIA uses a variety of tools to monitor and promote compliance, including inspections, audits, product sampling, and testing. The CFIA uses risk-based approaches that target the areas of highest risk. For example, the CFIA focuses its efforts on systems, processes, and facilities that directly affect the safety of food, animal and plant health. The resulting compliance rates indicate the extent to which regulated parties have adhered to requirements specified in federal acts and regulations. As the Agency implemented a new PAA and PMF at the beginning of fiscal year 2011–12, the Agency is unable to perform a trend analysis (using year-over-year data) as this 2011–12 Departmental Performance Report (DPR) represents the first year we are reporting against this new PAA and PMF. For detailed information on compliance assessment, see Section 4.2 in the 2011–12 DPR.

Qualitative and quantitative performance targets provide a basis for measuring the performance of regulated parties and of the CFIA in relation to how they achieve the results expected of them. The targets in this report are for critical program areas and are based either on historical averages of actual performance or on the expected results of effective programming (e.g. rate of industry compliance with regulatory standards). The CFIA has assessed the extent to which performance has met or exceeded established targets and provided analysis when performance fell below the established targets. Targets for programs that monitor activities are set differently than those for programs that focus on specific areas of non-compliance. Where applicable, performance indicator results have been rounded down to the nearest percentage point.

The CFIA assigns a data quality rating to every performance result indicator in the CFIA's DPR. The ratings provide a reasonable assessment of the reliability and limitations of the CFIA's performance information. For each indicator, the CFIA applied a consistent methodology for evaluating the data and processes used to derive performance results.

Information on performance result methodologies and data is used to substantiate that the information reported in the CFIA's DPR is valid, reliable, fair, and supported by appropriate evidence. This information is also the basis for determining the data quality ratings for each indicator. Ratings are based on an assessment of the systems and processes used to manage data and the systems and processes used to derive performance results from the data.

A data quality rating of **Higher Confidence**, **Moderate Confidence** or **Lower Confidence**, as categorized below, is determined for each indicator and included in the performance tables in Section 2.2.

Table 2-1 Data Quality Ratings

Data Quality Rating	
Higher Confidence	Results rating where (1) the data used to derive performance results is stored and managed using reliable systems and methods; and (2) performance results are derived using reliable systems and methods.
Moderate Confidence	Results rating where (1) the data used to derive performance results is stored and managed in most cases using reliable systems and methods; and (2) performance results are derived in most cases using reliable systems and methods.
Lower Confidence	Results rating where there are gaps in the reliability of data sources and/or performance results: data and performance results are supported or derived from systems and methods that do not support data robustness and reliability.

2.1.2 Auditor General's Assessment of Performance Information



Auditor General of Canada
Vérificateur général du Canada

AUDITOR GENERAL'S ASSESSMENT of Performance Information in the Canadian Food Inspection Agency's 2011–12 Performance Report

REVIEW ENGAGEMENT REPORT

To the President of the Canadian Food Inspection Agency
and the Minister of Agriculture and Agri-Food

What I Assessed

As required by the *Canadian Food Inspection Agency Act*, I have assessed the fairness and reliability of the Canadian Food Inspection Agency's performance information for 2011–12 with respect to the objectives established in its 2011–12 corporate plan.

Management's Responsibility

The performance information reported in the Agency's performance report and the objectives established in its corporate plan are the responsibility of management.

My Responsibility

My responsibility is to assess the fairness and reliability of the performance information included in the Agency's performance report against the objectives established in its corporate plan. My responsibility did not include assessing the objectives set out in the corporate plan or commenting on the Agency's actual performance.

The Nature of My Assessment

My assessment covered only the performance information included in the section of the Agency's performance report titled "Analysis of Program Activities by Strategic Outcome". My assessment did not include the information referenced by Web links included in the report.

My assessment consisted of a review performed in accordance with Canadian generally accepted standards for review engagements established by the Auditing and Assurance Standards Board (AASB) and, accordingly, consisted primarily of enquiry, analytical procedures, and discussion related to the Agency's performance information as supplied to me by the Agency. I conducted this assessment using the criteria for the assessment of fairness and reliability described in the Annex. There were no changes to the criteria from those of the prior year report.

My assessment is based on a review which provides a moderate level of assurance and does not constitute an audit. Consequently I do not express an audit opinion on the Agency's performance information.

Conclusion

Based on my assessment, nothing has come to my attention that causes me to believe that the Agency's performance information for 2011–12, with respect to the objectives established in its corporate plan, is not, in all significant respects, fair and reliable using the criteria described in the Annex to this report.

Dale Shier, CA
Principal
for the Auditor General of Canada

21 September 2012
Ottawa, Canada

CRITERIA FOR THE ASSESSMENT OF FAIRNESS AND RELIABILITY
OFFICE OF THE AUDITOR GENERAL

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

FAIRNESS

RELEVANT	The performance information reports in context, tangible, and important accomplishments against objectives and costs.
MEANINGFUL	The performance information describes expectations and provides benchmarks against which performance is compared.
ATTRIBUTABLE	The performance information demonstrates why the program made a difference.
BALANCED	A representative and clear picture of performance is presented, which does not mislead the reader.

RELIABILITY

RELIABLE	The performance information adequately reflects the facts.
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These criteria were developed specifically for the assessment. The Canadian Food Inspection Agency has acknowledged that they were suitable for the assessment.

More information on the criteria is available on our Web site at

http://www.oag-bvg.gc.ca/internet/English/meth_gde_e_10217.html

2.2 Performance by Strategic Outcome

2.2.1 Strategic Outcome: A Safe and Accessible Food Supply and Plant and Animal Resource Base

Mitigating risks to food safety is the CFIA's highest priority, and the health and safety of Canadians is the driving force behind the design and development of CFIA programs. The CFIA, in collaboration and partnership with industry, consumers, and federal, provincial and municipal organizations, continues to work towards protecting Canadians from preventable health risks related to unsafe food and zoonotic diseases, and maintaining a stable plant and animal resource base.

The current and future economic prosperity of the Canadian agriculture, fishery and forestry sectors relies on a healthy and sustainable animal and plant resource base. As such, the CFIA is continually improving its program design and delivery in the animal and plant area in order to minimize and manage risks. In an effort to protect the natural environment from invasive animal and plant diseases and plant pests, the CFIA also performs extensive work related to the protection of environmental biodiversity.

The CFIA supports Canadian agriculture and agri-food businesses' ability to enter domestic and global markets and their success therein. The CFIA works to develop and implement regulatory frameworks that: address risks to consumers; verify truth in labelling information (prevent misleading information); and confirm that imports and exports meet Canadian and international requirements. To support these objectives, the CFIA engages in outreach and consultation activities with key stakeholders and partners (including those in industry), consumers, and international trade and standards organizations.

Table 2-2: Strategic Outcome Performance Indicators

Strategic Outcome				
A safe and accessible food supply and plant and animal resource base				
Performance Indicators	Targets	Performance Status		Data Quality Rating
Standards-related restrictions on exports of Canadian commodities (food, animals, plants, and their products) are addressed. ⁵	Not Applicable	The CFIA regularly engages with our international regulatory counterparts to seek science-based solutions to over-come technical market access barriers. The CFIA contributes to market access based on the integrity of Canada's food safety and animal and plant health systems, negotiation export provisions to meet trading partners' needs; and leading on SPS negotiations to protect the health of Canadian consumers and Canada's agricultural resources, while seeking to address unjustified barriers to trade.		Higher Confidence
Canada's status on the OIE ⁶ disease risk status lists remains either "free, controlled risk, or negligible risk" ⁷	Status maintained	Status maintained	Met	Higher Confidence
Percentage of Canadians who have confidence in the Canadian food supply system	Historical trend (Increasing)	68%	Met	Higher Confidence

⁵ **Performance indicator in the 2011–12 RPP was:** Number of countries imposing justifiable standards-related restrictions on exports of Canadian commodities (food, animals, plants, and their products). **Rationale for change:** This indicator was changed to provide a better sense of the CFIA's work in this area.

⁶ World Organisation for Animal Health

⁷ **Performance indicator in the 2011–12 RPP was:** Canada is on the list of OIE countries that are free from stipulated reportable animal diseases. **Target was:** Canada is on the list each year. **Rationale for change:** The indicator text needed to be restructured to clarify exactly what the indicator was intended to measure.

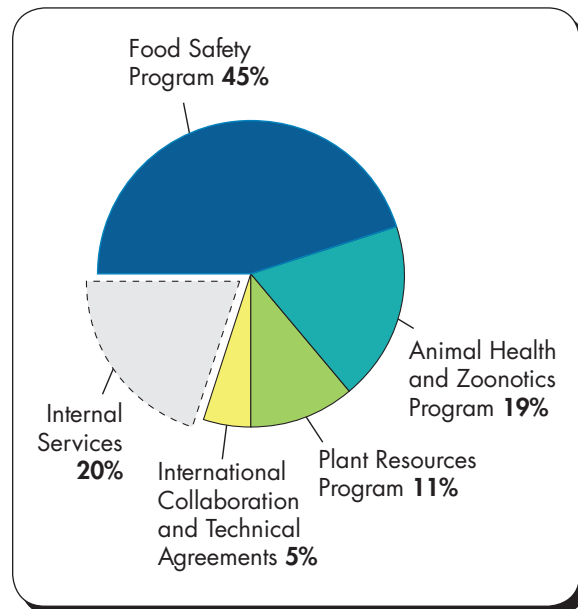
Key strategic risks, as identified in the CFIA's Corporate Risk Profile:

- Foodborne Hazards
- Animal and Zoonotic Outbreaks/ Incidents
- Plant Pests and Diseases
- Human Resources
- Science and Technology Capacity
- Information and Decision Making
- Partnerships
- Internal Coordination
- Program Frameworks

To mitigate risks and achieve its strategic outcome, the CFIA concentrated its efforts in 2011–12 on the delivery of the following four priorities:

- Focus on Programs
- Strengthen Strategic Directions, Performance Measurement, and Transparency
- Focus on People
- Focus on Stewardship

Percentage of 2011–12 Actual Spending by Program Activity



2.2.1.1 Program Activity 1: Food Safety Program



Program Activity Description:

The Food Safety Program aims to mitigate public health risks associated with diseases and other health hazards in the food supply system and to manage food safety emergencies and incidents. The program achieves these objectives by promoting food safety awareness through public engagement and outreach activities and through the verification of industry compliance to standards and science-based regulations. The CFIA works closely with federal/provincial/territorial governments and other Federal Government partners, as well as consumers, producers, farmers, and industry. The program helps consumers receive information about food safety and nutrition more easily, and it serves to diminish unfair market practices targeting consumers and industry through a robust program design supported by inspection and sampling procedures. Collaboration with other governments and stakeholders further enhances the CFIA's ability to manage risks associated with food and the food supply system, including foodborne illness. In instances of non-compliance, the CFIA takes regulatory action using a suite of tools that include investigation and enforcement. This program supports public health and instils confidence in Canada's food system.

Activities within the Food Safety Program supported the *Focus on Programs* priority as well as the *Strengthen Strategic Direction* priority and helped mitigate the following strategic risks:

- Foodborne Hazards
- Program Framework
- Partnerships
- Science and Technology Capacity

2011–12 Financial Resources (\$ millions)

Planned Spending	Total Authorities	Actual Spending
351.5	355.9	328.9

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
3,177	3,238	61


Variance Analysis:

Several initiatives included in this program activity did not spend all their resources this fiscal year resulting in a variance of \$27.0 million between Total Authorities and Actual Spending. These initiatives include the Food and Consumer Safety Action Plan, the Government's response to Listeriosis and Food Safety Modernization. The Food and Consumer Safety Action Plan experienced a delay in obtaining Treasury Board approval to proceed with the Agency's IM/IT projects. Also, delays in the development of the importer licensing program resulted in the deferment of dependent activities such as hiring and training the inspection staff required to deliver the program. Food Safety Modernization was not able to spend all of its resources as they were received late in the fiscal year. Part of the overall Food Safety Program variance can also be attributed to the administrative spending restraint measures that were put in place during the last quarter of the fiscal year. These measures were implemented to ensure that there would be resources available via the carry forward to address known pressures in the 2012–13. With the renewal of the PAA in 2011–12, the CFIA worked hard to accurately align its authorities and FTEs to the new Program Activities. Since this initial exercise and further review, some discrepancies have been identified. The CFIA is making every effort to address these to allow for better representation in the 2012–13 DPR.

Performance Summary and Analysis of Program Activity

The CFIA implemented a new PAA and PMF at the beginning of fiscal year 2011–12. As such, trend analysis information cannot be provided for 2011–12.

Table 2-2a: Summary of Performance: Food Safety and Nutrition Risks

Expected Results				
Risks to the Canadian public associated with the food supply system are mitigated				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Number of commodity areas whose target for the percentage of inspected, federally registered establishments found to be in compliance with federal regulations has been met ⁸	6 out of 6 met	3 out of 6 met	Not Met	Not Applicable
► Meat and Poultry	98%	92%	Not Met	Higher Confidence
► Egg	98%	99%	Met	Higher Confidence
► Dairy	98%	100%	Met	Lower Confidence
► Fish and Seafood	98%	97%	Not Met	Higher Confidence
► Fresh Fruits and Vegetables	98%	100%	Met	Higher Confidence
► Processed Products	98%	94%	Not Met	Moderate Confidence
Percentage of Public Warnings for Class I food recalls that are issued within 24 hours of a recall decision 	100 %	100%	Met	Higher Confidence
Percentage of Public Warnings for Class II food recalls that are issued within 24 hours of a recall decision ⁹	95%	100%	Met	Higher Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

⁸ **Performance Indicator in the 2011–12 RPP was:** Percentage of inspected federally registered establishments in compliance with federal regulations. **Rationale for change:** A count of the number of commodity areas that meet their targets is a better indicator of performance than an average of their compliance rates.

⁹ **Performance indicator in the 2011–12 RPP was:** Percentage of all food recalls issued without an alert that are posted on the CFIA website within two working days. **Target was:** 95%. **Rationale for change:** This change brings the indicator into alignment with the Class I recall indicator.

Performance Summary and Compliance Methods

Percentage of inspected federally-registered establishments in compliance with federal regulations

Meat & Poultry

As a result of the Weatherill Report, 12 new Processed Meat inspectors were hired in the Montreal West Region in Quebec. This increase in inspectors was due to the large concentration of ready-to-eat (RTE) establishments (52) in this region. With more inspectors onsite, more inspection tasks were delivered which led to an increase in non-conformities being identified in the Corrective Action Requests (CAR). The CFIA continues to communicate and work with industry to increase understanding of requirements and of the related Compliance Verification System (CVS) policies. The CFIA aims to increase the levels of industry compliance through ongoing communication and education. As such, it is expected that the number of CARs will fall within the normal range next fiscal year.

Fish and Seafood

In 2011–12, the CFIA updated its guidelines relating to fish inspection regulations to help industry better understand the existing regulatory requirements. The new guidelines established new procedures around Corrective Action Plans (CAPs) and subsequently caused compliance rates to decrease. It is expected that compliance rates will improve as industry adjusts to the new guidelines. For more information on the updated guidelines visit: <http://www.inspection.gc.ca/english/fssa/fispoi/qual/qaqre.shtml>

Processed Products

The target was not met due to a change in methodology. Compliance is now defined as having been achieved when the initial establishment inspection is satisfactory, rather than when the follow-up inspection is satisfactory.

Compliance Approaches and Methods

A monitoring approach¹⁰ is used to assess compliance for all commodities under this indicator. For all commodities under this indicator, except for Processed Products, compliance results are determined at the initial inspection, in the audit, or in the first follow-up visit. Processed Products determines compliance results on initial inspection.

¹⁰ Monitoring approach: Establishments are inspected, sampled and tested in such a way that the resulting compliance rates are representative of the CFIA-regulated population. Monitoring programs provide an adequate overview of industry compliance in general.

Table 2-2b: Summary of Performance: Food Safety and Nutrition Risks

Expected Results				
Domestic and imported food products are compliant with Canadian regulations and international agreements				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Number of commodity areas whose target for the percentage of domestic food products found to be compliant with federal regulations has been met ¹¹	6 out of 6 met	4 out of 6 met	Not Met	Not Applicable
► Meat and Poultry	95%	96%	Met	Higher Confidence
► Egg	95%	93%	Not Met	Higher Confidence
► Dairy	95%	96%	Met	Higher Confidence
► Fish and Seafood	95%	98%	Met	Higher Confidence
► Fresh Fruits and Vegetables	95%	97%	Met	Higher Confidence
► Processed Products	95%	94%	Not Met	Higher Confidence
Number of commodity areas whose target for the percentage of imported food products found to be compliant with federal regulations has been met ¹²	6 out of 6 met	4 out of 6 met	Not Met	Not Applicable
► Meat and Poultry	95%	99%	Met	Higher Confidence
► Egg	95%	99%	Met	Higher Confidence
► Dairy	95%	90%	Not Met	Higher Confidence
► Fish and Seafood	95%	84%	Not Met	Higher Confidence
► Fresh Fruits and Vegetables	95%	95%	Met	Higher Confidence
► Processed Products	95%	95%	Met	Higher Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

¹¹ **Performance Indicator in the 2011-12 RPP was:** Percentage of domestic food products in compliance with federal regulations. **Rationale for change:** A count of the number of commodity areas that meet their targets is a better indicator of performance than an average of their compliance rates

¹² **Performance Indicator in the 2011-12 RPP was:** Percentage of imported food products in compliance with federal regulations. **Rationale for change:** A count of the number of commodity areas that meet their targets is a better indicator of performance than an average of their compliance rates

Performance Summary and Compliance Methods

Percentage of Domestic Food Products in Compliance with Federal Regulations

Egg

The performance is below the target due to an increase in the reported violations of a certain chemical residue from a group of chemicals called Ionophores. Health Canada has determined that the levels present do not represent a risk to the consuming public. The CFIA is in consultation with industry to provide them guidance on the preparation of feed in order to bring down the level of residues thereby reducing the residue levels carrying over into eggs.

Processed Products

The target was not met due to quality issues with the maple sap and tomato inputs used in producing certain processed products. These quality issues stemmed from adverse weather conditions in 2011–12. The unseasonably warm spring negatively affected the quality of the maple syrup harvest while the rainy summer negatively affected the quality of the tomato harvest. These were not food safety issues.

Percentage of Imported Food Products in Compliance with Federal Regulations

Dairy

The majority of non compliances came from chemical residue tests that detected Thyreostatica. Investigations showed that these violations were caused by background levels from Brassica crops being fed to production animals. There are no health and safety issues identified with this compound at the levels indicated.

Fish & Seafood

In 2011–12, the sampling approach used was more risk-based than in previous years. This naturally focused attention towards product types that were more likely to be non-compliant, thereby decreasing the overall compliance rate compared to previous years.

Compliance Approaches and Methods

A monitoring approach¹⁰ is used to assess compliance for all commodities under this indicator. Compliance results are determined during the initial testing phase of food and product samples.

Additional Information:

The CFIA's Food Safety Action Plan:

<http://www.inspection.gc.ca/english/fssa/concen/concengov/govplane.shtml>

Listeria Policy update:

<http://www.inspection.gc.ca/english/fssa/transp/prog/prog1003e.shtml>

Compliance Verification System Procedures:

<http://www.inspection.gc.ca/english/fssa/meavia/man/ch18/table18e.shtml>

Strategic Performance Analysis¹³

Modernizing the Current Inspection System and Approach

As part of the Agency-wide Inspection Modernization initiative, a dedicated team worked with inspectors, subject matter experts and industry to review current programs, identify and challenge current practices, and identify elements that would be fundamental to a single and consistent approach to inspection across food commodities. By the end of 2011–12, key components of a draft improved food inspection model were developed and discussed with the Ministerial Advisory Board, and the External Audit Sub-Committee. **L**

The CFIA began work in 2011–12 to modernize its manuals, policies, and procedures with the goal of reducing the number of these documents and moving towards establishing a common set of documents covering the food safety area.

DID YOU KNOW?

In 2011–12 the CFIA conducted over 2,900 inspection/audits:

- Meat and Poultry (755)
- Dairy (176)
- Fish and Seafood (553)
- Shell Eggs (1,002)
- Fresh Produce (88)
- Processed Products (332)




The development of an integrated approach for identifying and ranking food safety risks was initiated in order to assist in priority setting and planning. Concurrently, the Meat Program implemented a new risk-based sampling plan for Ready-to-Eat (RTE) **L** products and food contact surfaces where the frequency of sampling is based on the established relative risk associated with the product. As a result, a higher risk product is sampled more frequently than a lower risk product. **L**

In support of these initiatives, the CFIA worked with its federal partners (Health Canada and Agriculture and Agri-Food Canada) on developing legislation that would improve food safety oversight to better protect consumers, streamline and strengthen legislative authorities, and enhance international market opportunities for Canadian industry. This legislation (*Safe Food for Canadians Act*) was subsequently tabled early in 2012–13 and its implementation will be reported on in future performance reports.




As part of its efforts to modernize inspection, and building on its success with the compliance verification system (CVS), the CFIA initiated work to develop a task-based approach to compliance verification for the Imported and Manufactured Food Program. The goal of this work, which continues into the current fiscal year, is to improve inspection accountability, efficiency and consistency for domestic and imported food in the Non-Federally Registered Sector (NFRS). **L** Ultimately, this approach will enable improved program delivery and a more uniform application of inspection procedures.

¹³ To help the reader identify which performance statements are associated with recommendations in the Report of the Independent Investigator into the 2008 Listeriosis Outbreak we have included a **L** symbol next to activities relating to the CFIA's response to the final report to Canadians.

-  Various reports and studies, including the Weatherill Report, have identified the need for consistent, timely, and up-to-date training for CFIA inspection staff. Additionally, Budget 2011 also provided a further \$100 million over five years to invest in inspector training, tools and technology, and science capacity.  In response, the CFIA has developed a plan to deliver core training to all new inspection staff as they enter the Agency. The pilot will begin in the fall of 2012. To support current staff in the consistent performance of their duties in their current and future roles, CFIA has delivered “refresher training” to over 430 existing inspection staff members. This is the first installment of a plan to provide training to all current inspection staff. The core and refresher programs form part of a four-year effort to ensure staff have the training they need to deliver the CFIA’s modernized inspection model. In addition, all inspection staff tasked with Listeria inspection received nine weeks of meat processing training, and over 250 inspectors working in meat processing establishments have received part of the training.
-  The ability for frontline staff to deliver on their priorities was strengthened through the development and implementation of the National Recruitment Group in Fall 2010, which launched a National Selection process resulting in a National pool of fully assessed applicants being created by the end of June 2011. This will streamline the process of hiring inspectors and create a sustainable pool from which managers can draw, thereby freeing the time of managers to focus on program delivery instead of recruitment.


On December 19, 2011, the Government of Canada released its final report to Canadians on the actions taken to respond to all of the recommendations by Ms. Sheila Weatherill outlined in the *Report on the Independent Investigator into the 2008 Listeriosis Outbreak*. More specifically, the CFIA advanced the implementation of Health Canada’s Listeria policy on multiple fronts:

- Manuals of procedure, policies and guidance documents for meat and for high-risk, non-meat RTE foods were revised to reflect the food safety practices recommended in Health Canada’s revised *Policy on Listeria monocytogenes in Ready-to-Eat Foods*;
- New environmental sampling plans were implemented in federally registered non-meat establishments to monitor for Listeria in the food processing environment, and new resources were provided for technical support to risk-assessments resulting from positive Listeria samples;
- The CFIA, Health Canada, and the Public Health Agency of Canada (PHAC) developed a standard operating procedure (SOP) addressing how provincial/municipal/territorial agencies should request laboratory testing support from their federal partners. This SOP will help to ensure that analytical testing capacity is in place in the event of another outbreak and that food samples that arrive in federal labs can be more easily traced back to the food product sampled; and

- The internal evaluation of Changes to Inter-Departmental Interfaces¹⁴ noted that “Overall, the review found that the inter-departmental, inter-jurisdictional ability to manage and respond to foodborne illness outbreaks has been significantly strengthened since the release of the Weatherill Report in 2009”. The report suggested a review of federal/provincial/territorial memoranda of understanding (MOUs) to determine if a higher level of consistency can be obtained. Revisions of the MOUs are underway. 

The CFIA worked with 17 businesses in a pilot project to simplify and streamline registration requirements. This led to the development and publication of procedural changes to the Meat Hygiene Manual of Procedures in September 2011. These changes make it easier for small businesses to set up on-site retail operations and to apply for federal registration.

Implementing the Food Safety Action Plan

-  During 2011–12 the CFIA continued implementation of its portion of the Government of Canada’s Food and Consumer Safety Action Plan – the Food Safety Action Plan (FSAP). Work continued towards better understanding food safety risks through targeted microbiological and chemical food hazard surveys. Further information was gathered through border blitzes and both food safety and labeling compliance inspection activities, which focused on areas of highest risk in both the non-federally registered and fresh fruit and vegetables sectors.

The CFIA collaborated with Health Canada, the PHAC, and its provincial counterparts on the development of a risk prioritization model. Collaborations and information sharing also took place with international trading partners and regulatory counterparts on food safety issues and risk management approaches.


Past food safety issues have highlighted the importance of gathering regular feedback from Canadians on food safety, food recalls, and confidence in Canada’s food safety system. Public Opinion Research (POR) results have helped inform outreach initiatives and policies related to food safety and have provided the Agency with a better understanding of consumers’ awareness, attitudes, and behaviors in terms of food safety, and have helped ensure communications material is consistent with the needs of Canadians.

In the Fall of 2011, the CFIA published the results of four targeted POR surveys. One of these looked at the issue of food safety confidence and measured public awareness of food recalls and inspections. Ninety-three percent of Canadians surveyed expressed a degree of confidence in Canada’s food safety system.¹⁵ Results revealed that the percentage of Canadians that gave Canada’s food safety system a favourable to strong confidence rating remains steady from last year at 68 percent. That is up from 60 percent in 2008. The POR report shows Canadians are increasingly likely to feel more confident in the system when there is a food recall because it demonstrates the system is working.

¹⁴ Changes to Inter-Departmental Interfaces: <http://www.inspection.gc.ca/about-the-cfia/accountability/audits-reviews-and-evaluations/inter-departmental-interfaces/eng/1344282905472/1344283423406>


¹⁵ Public Opinion Research is available on: <http://www.inspection.gc.ca/about-the-cfia/newsroom/news-releases/2012-07-13/eng/1342191503500/1342191536685>



Moreover, the CFIA received approximately 750 media calls on food safety, including approximately 200 on food recalls in 2011-12.

-  Following stakeholder consultation undertaken in 2010–11, the CFIA responded to feedback on the proposed licensing regime for imported food sector products. As a result, progress was made on the regulations, supporting documents, and information technology (IT) requirements associated with the proposed licensing regime. The proposed regulatory framework will help to improve importers' ability to:
 - quickly identify, respond to and advise the CFIA of potentially unsafe imported food; and
 - increase the CFIA's ability to communicate important information to industry to mitigate food safety incidents;

One example demonstrating the impact of efforts over the first three years of the FSAP project was seen in March 2011. Efforts to enhance the CFIA's ability to identify and track imported food products facilitated a successful rapid response to potentially contaminated food during the nuclear crisis in Japan. Border lookouts and enhanced import controls were put in place to mitigate the risk of Japanese products contaminated with radionuclides from entering the Canadian market and, in concert with Agency-wide collaboration and with Health Canada, enabled the identification and testing of over 600 shipments between March 24 and June 11, 2011. None of the products tested showed results above the Canadian action levels for radiation in food.

Maintaining Capacity to Deliver Programs and Respond to Emergencies while Enhancing Science Capacity

The CFIA conducted innovative work in the area of trend analysis that brings together multiple data sources to identify patterns and determine areas of improvement for the greatest risks. To support this work, the Agency's experts initiated discussions with academia, the United States Department of Agriculture, and the United States Food and Drug Administration to provide guidance in the analysis of *Listeria* data and validation of risk-based sampling and trend analysis models. 

-  The CFIA also developed a novel method for the rapid confirmation and identification of *Listeria* from meat and food contact surfaces in order to enable the reporting of *Listeria*-positive samples two to three days sooner than in current approaches. Evaluation and publication of other new, rapid screening methods were completed and have been validated and published in the Health Canada Compendium of Analytical Methods. The CFIA also engaged in an interdepartmental pilot project to bring together the latest in genomics technologies aimed at improving food and water safety. 

In collaboration with provinces and territories, the CFIA designed a national baseline study for Salmonella and Campylobacter in broiler chicken to establish prevalence levels of pathogens, develop pathogen reduction targets, and identify/improve strategies to monitor and reduce pathogen levels. Collaboration also took place with several provinces to complete an inventory and analysis of food safety surveillance activities within the agriculture portfolios. The analysis identified opportunities for more efficient and coordinated food safety surveillance through joint planning, collaborative priority setting and improved information sharing. The information collected through this baseline study will contribute to the development of pathogen reduction programs and serve as a benchmark to measure the effectiveness of intervention measures. This baseline study is part of the broader FPT Pathogen Reduction Initiative aimed at decreasing the health risks and economic impact of food-borne pathogens in Canadian meat and poultry.

The development of a post-farm recognition process was completed in 2011–12. The purpose of the CFIA recognition programs, developed under funding from the Minister of Agriculture’s Growing Forward initiative, is to provide national government food safety recognition oversight to industries that did not previously have access to such programs, thereby filling food safety gaps in the food continuum. The completion of the post-farm food safety recognition program means that national food safety programs are now available to industry across the full continuum—from the farm to retail levels. A pilot of the initial technical review (first part of the recognition process) was successfully launched with the Canadian Produce Marketing Association (CPMA) using Growing Forward funding.

Carrying out education and outreach

In July 2011, the CFIA completed an internal evaluation on the stakeholder consultation process¹⁶ within the Agency. As a result of this evaluation, the CFIA’s consultation process now has a web presence. Current and past consultations are available, as is the new Consultation Policy and Framework, finalized in January 2012. This is intended to bring a consistent approach to consultation that will better serve the needs of stakeholders and, ultimately, Canadian consumers. **L**

Also, in an ongoing effort to support transparency and open dialogue with Canadians, the CFIA continued to provide email, Really Simple Syndication (RSS), and social media notifications to consumers and industry stakeholders for high-risk health hazards and all classes of allergy alerts. **L**

Further, the Consumer Association Roundtable, a forum for dialogue between the CFIA and consumer organizations, met twice in 2011–12 (June 9 and October 20–21, 2011). They discussed issues such as country-of-origin labeling in wine, the Japanese nuclear incident, and allergen food labeling. The CFIA communicates with the Roundtable on various subjects of interest throughout the year, via email and teleconference. Records of discussion from each meeting are posted on the CFIA website. The CFIA is currently planning its fifth face-to-face meeting with the Roundtable in November 2012.

¹⁶ CFIA’s completed internal evaluation on the stakeholder consultation process: <http://www.inspection.gc.ca/about-the-cfia/accountability/audits-reviews-and-evaluations/evaluation-consultation/eng/1344316220139/1344316313744>

Collaborating with Stakeholders and Partners to Enhance Program Frameworks

The CFIA worked with AAFC to develop a traceability framework in order to track the movement of animals throughout their life cycle. Details on progress in this area can be found in the Animal Health and Zoonotics Program area.

-  In 2011–12, the CFIA created a Regulatory Transformation Office which will prioritize and identify a plan forward on food safety regulations. Additionally, regulatory amendments were made in areas concerning compensation for seeds and meat inspection.

In February 2012, the CFIA began a food safety investigation and instituted a national recall of beef products that may have been contaminated with *E. coli*. This investigation was prompted by an illness in one person in Alberta that was linked to products from a food processing company. Based on the CFIA investigation results, Health Canada determined there could be a risk of product contamination going as far back as July of 2011. The recalled products, which were produced between July 1, 2011, and February 15, 2012, included beef burgers that were sold at supermarkets and prepared in restaurants and institutional establishments across the country. Only one illness could be demonstrated to have resulted from contaminated product related to this investigation. A post incident analysis and lessons learned exercise was launched following this event and was ongoing as of the end of the fiscal year 2011–12.

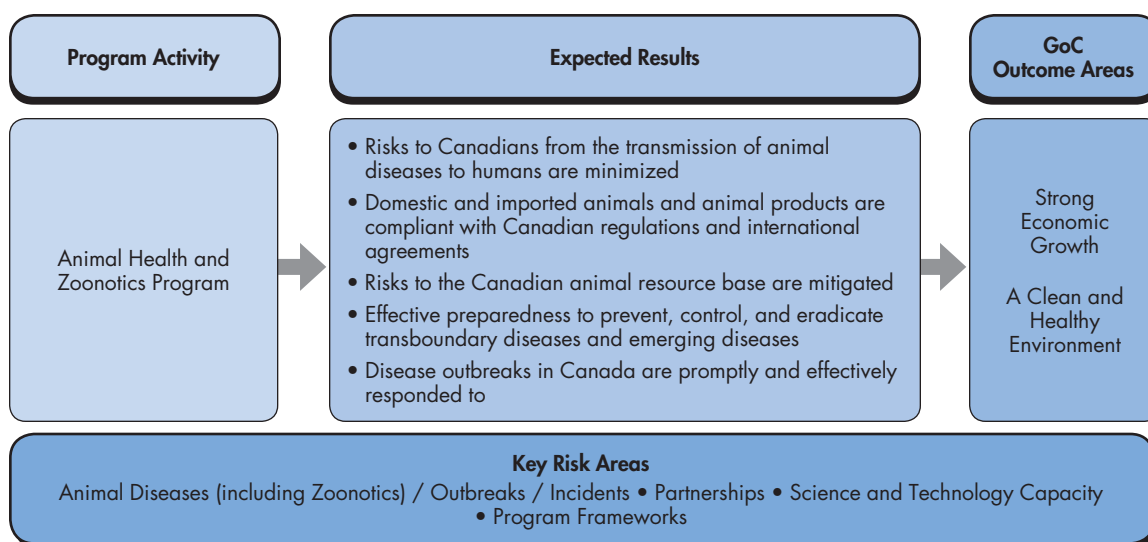
Lessons Learned

In 2011–12, an internal audit of the CFIA's Management of Food Export Certificates was completed with the goal of assessing whether CFIA export certificates for food were well-managed and issued in accordance with relevant legislations, policies, directives, and standards. The findings of this audit identified that the management of export certificates for food has weaknesses, with risk exposures related to control and risk management. One of the key findings was that data related to issued export certificates was not consistently recorded, was incomplete and could have been at risk of being lost.

CFIA management recognizes that there is a need to build a more effective and efficient information tracking system. As such, in 2011–12 the CFIA initiated the Enterprise Electronic Certification project with the aim to address issues relating to the completeness of export certificate data. Pending completion of this project, the CFIA is implementing short-term solutions to ensure that the required information regarding export certificates is available.

Another finding from the audit was that security standards with respect to export certificates had not been established for all programs. Additionally, security practices were not consistent between programs. The CFIA will work to assess and identify the security risks related to export certificates and develop and implement appropriate security guidelines for the effective and consistent protection of export certificate information across all Food programs.

2.2.1.2 Program Activity 2: Animal Health and Zoonotics Program



Program Activity Description:

The purpose of the Animal Health and Zoonotic Diseases Program is to diminish risks to Canada's animal resource base, animal feed, and animal products, which are integral to a safe and accessible food supply system as well as to public health. The program's objectives will be achieved by reducing risks to Canada's animals (including livestock, terrestrial and aquatic animals) from regulated diseases, managing animal disease emergencies and incidents, mitigating and managing risks to livestock and derived food products associated with feed, promoting animal welfare, and guarding against deliberate threats to the animal resource base. In addition, the program will continue to mitigate risks associated with animal diseases that can be transmitted to humans (i.e. zoonoses) by controlling diseases within animal populations. The Animal Health and Zoonotic Program supports the health and welfare of Canada's animal resources and instills confidence in the safety of Canada's animals, animal products and by-products, and production systems.

Planned activities within the Animal Health and Zoonotics Program support the *Focus on Programs* priority as well as the *Strengthen Strategic Direction* priority and will help to minimize the following strategic risks:

- Animal Diseases (including zoonotic) Outbreaks/Incidents
- Partnerships
- Science and Technology Capacity
- Program Frameworks

2011–12 Financial Resources (\$ millions)

Planned Spending	Total Authorities	Actual Spending
131.3	149.4	140.3

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
1,524	1,199	(325)

Variance Analysis:

With the renewal of the PAA in 2011–12, the CFIA worked hard to accurately align its authorities and FTEs to the new Program Activities. Since this initial exercise and further review, some discrepancies have been identified. CFIA is making every effort to address these to allow for better representation in the 2012–13 DPR.

Performance Summary and Analysis of Program Activity

The CFIA implemented a new PAA and PMF at the beginning of fiscal year 2011–12. As such, trend analysis information cannot be provided for 2011–12.

Table 2-3a: Summary of Performance: Animal Health and Zoonotics Program

Expected Result				
Risks to Canadians from the transmission of animal diseases to humans are minimized				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Number of reportable animal diseases that have entered into Canada via specified regulated pathways ¹⁷	0 Entries	0 Entries	Met	Higher Confidence
Percentage of cases where investigations were completed following the positive identification of a reportable zoonotic disease ¹⁸	100%	100%	Met	Moderate Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

¹⁷ **Performance indicator in the 2011–12 RPP was:** Percentage of reportable animal diseases that have entered into Canada via specified regulated pathways. **Target was:** Historical trend (year over year). **Rationale for change:** With very few entries of reportable animal diseases into Canada, a number count is a more meaningful measure.

¹⁸ **Performance indicator in the 2011–12 RPP was:** Percentage of response to zoonotic diseases and epidemiological investigations that are completed within service standards. **Rationale for change:** The indicator text needed to be restructured to clarify exactly what the indicator was intended to measure.

Table 2-3b: Summary of Performance: Animal Health and Zoonotics Program

Expected Result				
Domestic and imported animals and animal products are compliant with Canadian regulations and international agreements				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Percentage of legally exported animal shipments destined for foreign markets that meet certification requirements ¹⁹	99%	99%	Met	Higher Confidence
Canada's status on the OIE ⁶ disease risk status lists remains either "free, controlled risk, or negligible risk" ⁷	Status maintained	Status maintained	Met	Higher Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

Table 2-3c: Summary of Performance: Animal Health and Zoonotics Program

Expected Result				
Risks to the Canadian animal resource base are mitigated				
Performance Indicator*	Targets	Performance Status		Data Quality Rating*
Percentage of cases where investigations were completed following the positive identification of a reportable animal disease ²⁰	100%	100%	Met	Moderate Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

¹⁹ **Performance indicator in the 2011–12 RPP was:** Percentage of certified animal and animal products shipments that meet the receiving country's import requirements. **Rationale for change:** The indicator text needed to be restructured to clarify exactly what the indicator was intended to measure.

²⁰ **Performance indicator in the 2011–12 RPP was:** Percentage of response to disease and epidemiological investigations that are completed within service standards. **Rationale for change:** The indicator text needed to be restructured to clarify exactly what the indicator was intended to measure.

Table 2-3d: Summary of Performance: Animal Health and Zoonotics Program

Expected Result				
Effective preparedness to prevent, control, and eradicate trans-boundary diseases and emerging diseases				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Manuals for CFIA animal health officials are updated as needed ²¹	All necessary manual updates are completed	All necessary manual updates were completed	Met	Higher Confidence
Number of emergency preparedness simulation exercises in which CFIA participates ²²	9	9	Met	Higher Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

²¹ **Performance indicator in the 2011-12 RPP was:** Systematic scheduled review and update if necessary, of manuals for CFIA animal health officials and guidance documents for industry. **Target was:** Once every two years. **Rationale for change:** The indicator was refined to focus on the most important measure of progress towards improving and/or maintaining preparedness.

²² **Performance indicator in the 2011-12 RPP was:** Number of emergency preparedness simulation exercises conducted versus planned. **Target was:** Once every two years. **Rationale for change:** Indicator changed to clarify that we are measuring CFIA's involvement in preparedness exercises

Table 2-3e: Summary of Performance: Animal Health and Zoonotics Program

Expected Result				
Disease outbreaks in Canada are promptly and effectively responded to				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Percentage of detections of reportable transboundary diseases and significant emerging diseases in which an investigation was commenced in a timely fashion ²³	100%	There were no cases of trans-boundary and significant emerging diseases	Not Applicable	Higher Confidence
Percentage of cases where CFIA communicated with key stakeholders in a timely fashion following the confirmation of a transboundary or significant emerging disease ²⁴	100%	There were no cases of trans-boundary and significant emerging diseases	Not Applicable	Higher Confidence

* For more information on data ratings and limitations regarding CFIA's performance indicators, please see Section 2.1.1

Additional Information:

BSE Enhanced Surveillance Program:

<http://www.inspection.gc.ca/english/anima/disemala/bseesb/surv/surve.shtml>

Animal Diseases: <http://www.inspection.gc.ca/english/anima/disemala/disemalae.shtml>

Aquatic Animal Health Export Program:

<http://www.inspection.gc.ca/english/anima/aqua/exp/expe.shtml>

Livestock Traceability: <http://www.inspection.gc.ca/english/anima/trac/trace.shtml>

OAG Report:

http://www.oag-bvg.gc.ca/internet/English/parl_oag_201010_09_e_34292.html#hd3c

²³ **Performance indicator in the 2011–12 RPP was:** Percentage of suspected cases of trans-boundary diseases and significant emerging diseases in which investigation was commenced within 24 hours of identification.

Rationale for change: Indicator was streamlined to clarify what we are measuring.


²⁴ **Performance indicator in the 2011–12 RPP was:** Percentage of cases in which the CFIA communicated with key stakeholders within 24 hours of confirming cases of trans-boundary diseases and significant emerging diseases.

Rationale for change: Indicator was streamlined to clarify what we are measuring.

Strategic Performance Analysis

Day-to-Day Risk Management

To maximize program efficiency and effectiveness, the CFIA developed an Animal Health Program Framework. This framework consolidates all existing information on animal health activities within the CFIA, including efficient delivery practices and roles and responsibilities. The development of this framework is a significant step toward establishing a risk-based strategic plan that will guide all work within the animal health program.

 To more effectively manage animal emergencies and continue strengthening preparedness for emergencies and future challenges, the CFIA continued to implement the recommendations of the Auditor General from the *CFIA Preparedness for Animal Disease Emergencies* report. Specifically, the CFIA:

- completed, and published online, the hazard specific plan (HSP) which provides guidelines to operational staff on how to respond to disease outbreaks for Notifiable Avian Influenza (AI);
- made significant progress towards making the electronic Canadian Emergency Management Response System (CEMRS) available in both official languages; CEMRS is a platform used for capturing information related to disease outbreaks electronically, mostly in real-time. The provision of disease intelligence in real-time enables more timely and precise decision making, thereby limiting the extent of a disease incursion; and
- conducted Lessons Learned processes after each emergency disease outbreak. For example, the CFIA completed a Lessons Learned exercise with respect to the 2010 AI outbreak in Alberta. As a result the need for the CFIA to ensure rapid access to equipment for poultry flock depopulation through placement of such equipment at multiple sites across Canada was identified. This equipment has since been provided. Also, communication issues, information storage processes, and surge capacity challenges were recognized as areas for improvement and are now factored into emergency planning and training activities.

In 2011–12, the CFIA made progress towards modernizing its surveillance activities by developing a terrestrial animal health surveillance inventory and by examining laboratory testing capacities to identify options available to increase the efficiency of surveillance testing activities. This work was carried out in concert with the ongoing development of a five-year strategic surveillance plan and has improved the CFIA's ability to objectively prioritize and conduct effective surveillance activities within the Animal Health Program.

Strengthening Partnerships, Communication and International Collaboration

In 2011–12, the CFIA continued to protect animal health and welfare by conducting inspection activities and delivering programs to prevent and control the entry and spread of animal diseases. More specifically, the CFIA continued to work with partners and stakeholders to better identify and respond to existing and emerging zoonotic threats. This was achieved through activities such as the Agency's participation in the Inter-Agency Wild Bird Influenza Survey, its efforts with respect to the Canadian Notifiable Avian Influenza Surveillance System, and the ongoing work of the CFIA's National Centre for Foreign Animal Diseases in Winnipeg, Manitoba. Additionally, the CFIA worked with other federal partners, as well as the U.S. government, to manage a comprehensive diagnostic system focusing on zoonotic influenza viruses of concern. Lastly, the CFIA collaborated with the University of Tokyo for the development of improved diagnostic tests for henipaviruses. Development of vaccines and appropriate risk mitigation strategies for henipaviruses is critical for Canada's emergency response preparedness as it relates to animal diseases.




Working with the PHAC, the CFIA continued to pursue more integrated surveillance methods. For example, the CFIA participated in discussions that led to revisions of the 2007 North American Plan for Animal and Pandemic Influenza (NAPAPI). The revised plan will support broader coordination with Mexico and the US and will provide Canada with opportunities to anticipate threats and mitigate against potential impacts (such as border disruptions) resulting from animal or pandemic influenza.


The CFIA showed leadership in international standard-setting and science-based technical agreements intended to improve animal health worldwide by actively participating in annual international trade meetings such as the quadrilateral meeting between Canada, the U.S., Australia and New Zealand, the Canada/EU Joint Management Committee Meeting, and the Canada/U.S. cross border meetings. Additionally, the CFIA, through AAFC's Market Access Secretariat, continued to work to support market access for Canadian producers and exporters. For example, in 2011–12, the CFIA worked with officials from the United Arab Emirates and reached agreement on health certificate requirements for live cattle. Canada also successfully secured access for live cattle, sheep and goats to the Philippines.

DID YOU KNOW?


Given a dynamic and rapidly changing world economy, the unprecedented scale of movement of people, animals and goods, the uncertainty of climate change impacts and the accelerated pace of technological innovation, the challenge of addressing emerging animal-disease-related emergencies has never been greater. Fore-CAN, a long-term planning initiative led by the CFIA, is designed to anticipate and prepare for all types of animal-disease-related emergencies and the potential consequences associated with them. The Fore-CAN project team developed a number of conceptual and planning tools. These include a framework for an integrated animal health risk management system which highlights the key aspects that need to be considered when looking at animal disease emergency scenarios, such as avian influenza or foot-and-mouth disease.

-  The CFIA implemented several key initiatives designed to improve its ability to protect the health and sustainability of the Canadian animal resource base. For example, the CFIA continued the development of national farm-level biosecurity standards for the beef, dairy, mink, sheep, goat, and bee sectors. The establishment of standards, and supporting producer guides, involved extensive consultations with a broad range of stakeholders, including producers, industry associations, provincial and federal governments, and academia. These standards will provide stakeholders with a framework that they can use by stakeholders for the development of a nationally consistent approach to biosecurity. In addition, an animal biosecurity planning guide was produced under the *Growing Forward* initiative to assist provinces and stakeholders in biosecurity programming until commodity-specific standards are available.

The Agency also continued to promote animal biosecurity through the Animal Health Starts on the Farm campaign. In its third year, the campaign focuses on simple, on-farm measures that livestock and poultry producers can take to protect the health of their animals. Communications materials, including mail-outs, brochures, posters, and DVDs, were distributed to livestock and poultry producers online, by mail, and at exhibits and other events.

-  As part of its ongoing measures to mitigate threats related to BSE, the CFIA continued to enforce the removal of specified risk material (SRM), bovine tissues that are at risk of containing BSE-causing prions, from the human food chain. This was primarily accomplished through the enforcement and verification of SRM removal during the compliance inspections in federally registered facilities. The CFIA also continued to monitor the level of BSE and the effectiveness of measures taken to control it in the domestic cattle population. The CFIA successfully collected and tested 30,307 samples from rendering facilities, dead stock facilities and provincial and federal abattoirs. No cases of BSE were detected in Canada during the 2011–12 fiscal year. Monitoring the level and distribution of BSE in Canada has allowed the country to maintain a controlled BSE risk status and to maintain and expand market access. In addition, following the Annual General Session of the World Organization for Animal Health (OIE), the CFIA reviewed and updated the BSE import policy annex containing the country status list.

Key Strategic Initiatives


-  The CFIA continued the development and implementation of the National Aquatic Animal Health Program (NAAHP). This included the implementation of import controls for aquatic animals under the *Health of Animals Regulations*. Prior to full enforcement of the Regulations, there is a one-year transition period supported by the Stream of Commerce Policy from December 2011 to December 2012. The control of imports is an important tool in preventing the introduction and spread of aquatic animal diseases and helps protect Canada's aquatic animal resources. Additionally, in support of market access,

the CFIA developed the policy, procedures and training for the Aquatic Animal Health Compartmentalization Program and began the implementation of this Program to facilitate and support the import and export of salmonids²⁵. The Compartmentalization Program is allowing trade from compartments²⁶ even when located in areas infected with federally regulated aquatic diseases.

Other program functions, such as certifying exports of aquatic animals, engaging in emergency disease response activities, developing risk assessments, and carrying out disease surveillance plans, were also conducted. For instance, the NAAHP developed the Surveillance Plan for Infectious Salmonid Anemia Virus (ISAV), Infectious Pancreatic Necrosis Virus (IPNV) and Infectious Hematopoietic Necrosis Virus (IHNV) in Anadromous Salmonids in British Columbia.

The CFIA continued building strong relationships with key aquatic animal health stakeholders through several consultation sessions that involved federal, provincial, and territorial partners and industry groups. For example, the CFIA met with provincial and territorial departments to discuss regulatory options around the proposed domestic movement control program and delineation of zones to control the spread of federally reportable diseases that currently exist in Canada.

Legislative and Regulatory Modernization

-  In support of the National Agriculture and Food Traceability System (NAFTS) initiative, the CFIA has made significant progress towards completing regulatory amendments that would authorize the implementation of a pig identification and movement reporting system. This regulatory amendment supports the CFIA's ability to trace animals back to the origin farm in the event of a disease outbreak and supports the rapid normalization of trade following disease outbreaks. In parallel, the CFIA made progress on the development of, and consultations on, a proposed regulatory amendment for cattle, bison, sheep, goat, deer, elk and horses.

The CFIA continued to work jointly with AAFC to develop the Traceability National Information Portal (TNIP). This portal will provide authorized users with a single electronic point of access to livestock traceability information and will allow authorized users to conduct traceability investigations more rapidly, accurately, and efficiently.

-  In the context of the National Farmed Animal Health and Welfare Strategy, which is designed to support and enhance Canada's farmed animal system, the CFIA continued to enhance Canada's system by conducting a review of the *Health of Animals Regulations*, specifically as they relate to modernizing the regulations concerning humane transportation. This review included consultation with stakeholders and a detailed consideration of current science. To this end, any changes to the Regulations will recognize the most recent

²⁵ Salmonids are an order of fish that include salmon, trout, and char.

²⁶ Compartments are one or more premises containing one or more aquatic animal populations with a distinct health status with respect to one or more diseases.

advances in animal welfare and science and will address new technology and industry practices that did not exist when the humane transportation portion of the Regulations was first drafted. As well, following consultations with the National Farm Animal Care Council, the CFIA is participating in the revision of eight on-farm codes of practice for beef, horses, poultry, sheep, and pigs, which will contribute to the improved fitness of animals for transport. This is in line with one of the findings made in the CFIA internal evaluation on the Administrative Monetary Penalties (AMPs),²⁷ which responds to non-compliance in areas where corrective action requests are insufficient.

Lastly, the CFIA continued to strengthen its capacity to respond to future threats by developing contingency plans in cooperation with our international and domestic partners through the International Animal Health Emergency Reserve (IAHER) agreement and the Canadian Veterinary Reserve and Foreign Animal Disease Emergency Support (FADES) agreements, and by enhancing diagnostic capacity through the creation and expansion of the Canadian Animal Health Surveillance Network (CAHSN) laboratories.

Lessons Learned

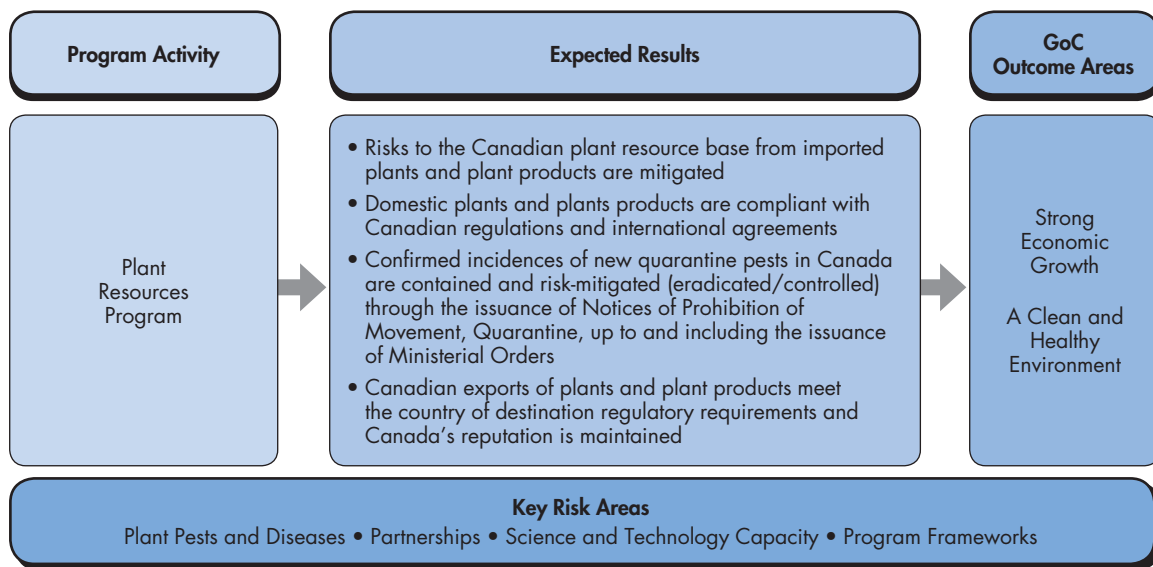
In 2010, the CFIA conducted an internal review of the 2009 pandemic H1N1 outbreak at a pig farm. The report noted that the 2009 H1N1 pandemic presented unique challenges, including the risk of human-to-animal transmission. The potential threat to human health by infected swine was also a concern, as was the impact on the pork industry in the event that countries began imposing trade restrictions on Canadian exports.

The report concluded that the CFIA should take steps to ensure relevant emergency response training is provided to all levels of response personnel. It went on to state that in order to mitigate the risk of response personnel becoming infected and ill and/or passing on the illness to other swine they come in contact with, training should include familiarity with the requirements of protocols, directives and guidelines on the use of personal protective equipment and the shipping of biological samples. The report also noted that an Occupational Health and Safety (OHS) advisor position should be located at the Incident Command level for all suspected zoonotic outbreaks with the goal that new and/or emerging risk to the health and safety of response personnel may be identified and mitigated early.

The Agency has developed an action plan to address the opportunities for improvement identified by the report. The CFIA is fully committed to providing all front-line responders with the relevant emergency response training to animal health emergencies and is currently identifying ongoing training needs for animal disease emergency response preparedness. Additionally, the role and responsibilities of the OHS officer were reviewed, and the OHS officer will now report to the Incident Commander in the field and regional levels, and continue to report directly to the Logistics Chief in the area and national levels.

²⁷ CFIA internal evaluation on the Administrative Monetary Penalties (AMPs): <http://www.inspection.gc.ca/about-the-cfia/accountability/audits-reviews-and-evaluations/evaluation-of-amps/eng/1343159961820/1343160709339>

2.2.1.3 Program Activity 3: Plant Resources Program



Program Activity Description:

The Plant Resources Program aims to mitigate risks to Canada's plant resource base, which is integral to a safe and accessible food supply as well as to public health and environmental sustainability. The program's objectives are achieved through the regulation of agricultural and forestry products; the mitigation of risks to the plant resource base (including crops and forests) arising from regulated pests and diseases; the regulation of the safety and integrity of seeds, fertilizers, and plant products; and the management of plant health emergencies and incidents. The program facilitates the introduction of emerging plant technologies and protects the rights of plant breeders, and is also designed to guard against deliberate threats to the plant resource base. As the program achieves its objectives, confidence is instilled in Canada's plant production systems and plant products, and the health of Canada's plant resources is strengthened.

Planned activities within the Plant Resources Program support the *Focus on Programs* priority as well as the *Strengthen Strategic Direction* priority, and will also help to mitigate the following strategic risks:

- Plant Pests and Diseases
- Partnerships
- Science and Technology Capacity
- Program Frameworks

2011–12 Financial Resources (\$ millions)

Planned Spending	Total Authorities	Actual Spending
84.6	91.6	84.0

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
809	851	42

Variance Analysis:

With the renewal of the PAA in 2011–12, the CFIA worked hard to accurately align its authorities and FTEs to the new Program Activities. Since this initial exercise and further review, some discrepancies have been identified. CFIA is making every effort to address these to allow for better representation in the 2012–13 DPR.

Performance Summary and Analysis of Program Activity

The CFIA implemented a new PAA and PMF at the beginning of fiscal year 2011–12. As such, trend analysis information cannot be provided for 2011–12.

Table 2-4a: Summary of Performance: Plant Resources Program

Expected Results				
Risks to the Canadian plant resource base from imported plants and plant products are mitigated				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Number of new foreign reportable plant diseases and pests that enter into Canada through regulated pathways and establish themselves	Historical Trend (Year over year)	0 entries	Not Applicable	Higher Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

Table 2-4b: Summary of Performance: Plant Resources Program

Expected Results				
Domestic plants and plant products are compliant with Canadian regulations and international agreements				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Percentage of domestic plants and plant products in compliance with Canadian regulations and international agreements.	90% ²⁸	95%	Met	Higher Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

Table 2-4c: Summary of Performance: Plant Resources Program

Expected Results				
Confirmed new incidences of new quarantine pests in Canada are contained and risk-mitigated (eradicated/controlled) through the issuance of Notices of Prohibition of Movement, Quarantine, up to and including the issuance of Ministerial Orders				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Percentage of confirmed cases of quarantine pests for which notices were issued	100%	100%	Met	Higher Confidence
Percentage of notices issued in a timely manner	90%	100%	Met	Higher Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

²⁸ In the 2011–12 Reports on Plans and Priorities the target was incorrectly stated as 99%

Table 2-4d: Summary of Performance: Plant Resources Program

Expected Results				
Canadian exports of plants and plant products meet the country of destination regulatory requirements and Canada's reputation is maintained				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Percentage of certified plant and plant product shipments (lots) that meet the country of destination regulatory requirements	99%	99%	Met	Higher Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

Additional Information:

December 2008 OAG report on "Managing Risks to Canada's Plant Resources":
http://www.oag-bvg.gc.ca/internet/English/parl_oag_200812_e_31776.html


Invasive Species: <http://www.inspection.gc.ca/invasive>

Growing Forward initiative:
<http://www.tbs-sct.gc.ca/hidb-bdih/initiative-eng.aspx?Org=1&Hi=104>

Strategic Performance Analysis²⁹

Day-to-Day Risk Management

Mitigating the risks to Canada's plant resource base that arise from regulated plant pests and diseases is integral to maintaining a safe, accessible and environmentally sustainable food supply. As an example of important work performed in this area, Budget 2011 provided the CFIA with close to \$10 million over 5 years to help mitigate the movement of the Plum Pox Virus (PPV); a plant disease that drastically reduces yields of stone fruit. In 2011 and 2012, measures such as surveys and activities to monitor the movement of stone fruit material were conducted by the CFIA. These surveys did not detect the virus outside of the established quarantine area. With the implementation of these and other activities, the CFIA will be able to monitor the virus and mitigate potential to spread to other stone fruit growing areas of Canada.

²⁹ To help the reader identify which performance statements are associated with recommendations in the December 2008 OAG report on Managing Risks to Canada's Plant Resources we have included a  symbol next to activities relating to the CFIA's response.

The CFIA protects the Canadian plant resource base by regulating the movement and use of plants, plant products and associated goods to mitigate the introduction and spread of insects, pathogens, pest plants and other invasive species (IAS), and by managing plant health emergencies. In support of this, the CFIA developed a Plant Program Framework that captures all plant-related activities in an effort to plan and manage the Agency's plant priorities in a strategic fashion. In addition, the CFIA aims to sustain the marketability of Canadian plants and plant products by strengthening Canada's reputation for being free of certain insects, pathogens, and pest plants and by meeting international quality standards for plant products.



IAS are frequently introduced via imported plants, plant products, or packaging and shipping materials. Effective regulation of these pathways reduces the likelihood of new introductions of IAS through trade, thus helping to protect Canada and Canadians from their negative impacts while facilitating access to international markets for Canadian plants and plant products. It is not always possible to prevent introductions from occurring, which makes surveillance and early detection of IAS within Canada an important complement to preventative measures. The prevention and management of IAS is a responsibility the CFIA shares with federal partners. As such, when an invasive species is detected, the CFIA works with its partners to implement appropriate measures to protect the Canadian plant resource base.

DID YOU KNOW?

In 2011–12, the CFIA:

- issued approximately 4,860 import permits (and 788 letters) for plant and plant products;
- conducted more than 139,000 product assessments and inspections of plants, plant products, and crop inputs for import, domestic, or export purposes;
- issued approximately 67,776 phytosanitary certificates for Canadian products; and
- performed more than 1,575 ship inspections to secure access to foreign markets for Canadian products.



Because preventing the introduction and spread of invasive species in Canada is a shared responsibility, collaboration on a national coordinated approach is required to streamline activities, roles, and responsibilities. This approach involves establishing and maintaining strong partnerships and effective and proactive communication in an effort to coordinate the protection of Canada's plant resources. For example, the CFIA, along with provincial, territorial, and federal partners and with invasive species councils and other stakeholders developed an Early Detection Rapid Response (EDRR) network plan for invasive plants in Canada. Throughout 2011–12 the plan was implemented through an EDRR working group that had regular discussions on issues of mutual concern. One example that was of mutual interest to multiple stakeholders was the current lack of registered herbicides for aquatic plants in Canada and possible options for controlling these invasive plants. The EDRR network provided a mechanism to bring together all parties to better understand concerns and begin developing solutions.

Strengthening Partnerships, Communications, and International Collaboration

In accordance with its Statement of Values³⁰, the CFIA's Risk Analysis Framework was developed to address plant and animal health and food safety risks in an approach that is consistent with international standard-setting bodies (i.e. International Plant Protection Convention, Codex Alimentarius Commission, and the Office Internationale des Epizooties). The initial part of the Risk Analysis is risk assessment, which is the determination of the degree of risk involved in a particular activity, such as potential pest introduction through a particular commodity or pathway. Guided by its Risk Analysis Framework, the CFIA completed a plant risk analysis of Russian dandelion in response to a request to import the species for latex production. The risk analysis concluded that the species did not pose an unacceptable risk to the Canadian plant resource base.



To mitigate the risk of the introduction and spread of pests and diseases in the potato, grain, and oilseed sectors, the CFIA made significant progress toward the development of voluntary national farm-level biosecurity standards. In particular, the CFIA completed a producer-level consultation within the potato sector to better understand common farm-level biosecurity practices currently in use. These consultations provided insight into best practices, common gaps, and high-risk areas, and ultimately informed the redevelopment of the current biosecurity standards. This collaboration provided a useful mechanism to engage producers and identify challenges associated with adopting a voluntary biosecurity standard for the commodity sectors, and it will provide for a practical and realistic national farm level biosecurity standard. **P** These voluntary standards are intended to:

- provide a nationally consistent approach for producers to mitigate the risk of pest and disease introduction, spread and release;
- facilitate advancements in industry's knowledge of the risks associated with pests;
- identify and increase awareness to encourage implementation of measures that will support improved biosecurity practices; and
- help identify potential gaps in current biosecurity measures, which can help producers improve the control of pests and diseases in potatoes, grains, and oilseeds at the farm level.


DID YOU KNOW?


The CFIA has developed a primer on importing plants and plant products³¹ to raise awareness and understanding of the CFIA's Plant Health Import Control Program and related import requirements for plants, plant products and other articles regulated under the *Plant Protection Act*.


This communication piece primarily targeted Canadian importers, but it was also aimed at foreign national plant protection organizations and foreign exporters. The primer was posted on the CFIA web site on February 29, 2012, and hard copies were printed and distributed to key stakeholder groups in February and March of 2012. Due to high demand, this publication has been reprinted twice since its first issue.

³⁰ CFIA's Statement of Values: <http://www.inspection.gc.ca/about-the-cfia/organizational-information/vision-and-mission/statement-of-values/eng/1319478952479/1319479599378>

³¹ <http://inspection.gc.ca/plants/plant-protection/imports/primer/eng/1324568450671/1324569734910>

-  The CFIA is continuing efforts to better protect the plant resource base and maintain market access for Canadian commodities. With regards to the regulation of agricultural and forestry products, the CFIA is strengthening alternative service delivery models in an effort to create a more efficient and comprehensive mechanism for monitoring compliance using existing resources. In particular, in 2011–12, the Agency worked collaboratively with the United States Department of Agriculture (USDA) to improve the Greenhouse Certification Program by addressing import and export challenges with the goal of continuing to streamline trade of greenhouse plants between Canada and the U.S. As a result, the modernization of the Greenhouse Certification Program was selected as a North American Perimeter Approach pilot project under the Regulatory Cooperation Council (RCC) initiative, designed to deepen regulatory cooperation with the U.S.

The CFIA also partnered with the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ) to work with Quebec crop producers affected by woolly cup grass³² to identify practical solutions to reduce the spread of this pest plant and to support on-farm eradication, where feasible. These efforts serve to underscore the CFIA's commitment to making pest management decisions in a transparent, accountable, and collaborative manner. 

-  In addition to our collaborative efforts with other government departments, other levels of government, and industry, the CFIA also collaborated with research organizations such as universities and private institutions in an effort to obtain and share knowledge and expertise. Notably, the CFIA engaged with the Chinese Academy of Science, the Heilongjiang Forest Protection Institute, and the National Forest Center of Slovakia in operational field trials examining the effectiveness of the CFIA's forest pest survey methods. This project provided the CFIA with foresight regarding potential survey detection tools and provided reference material for the Ottawa Plant Laboratory and the Canadian National Collection of Arthropods on pests threatening Canada's forests.


In an effort to facilitate effective market access activities for Canada's plants, plant products, and related goods, the CFIA developed an International Plant Engagement Strategy in conjunction with Agriculture and Agri-Food Canada's Market Access Secretariat to support a more strategic approach to international engagement for plant activities.

In 2011–12, in an effort to enhance the public's awareness of the key role they play, the CFIA developed a new section in its website³³ to inform the public on risks associated with invasive species introduced into Canada. Additionally the CFIA attended the "Canada Blooms" festival in Toronto in March 2012 and distributed fact sheets as a means to raise awareness of the negative impact of invasive plants in agricultural and natural areas. This event provided an opportunity to inform the public of how the CFIA contributes to preventing the introduction and spread of invasive plants in Canada; this includes the regulation of imports, and the monitoring and surveillance of invasive species. Furthermore, it was an opportunity for Canadians to learn how they can help in these efforts (ex. by importing and planting non-invasive ornamentals and reporting invasive plants to the CFIA).



³² Woolly cup grass is an invasive plant that can compete with crops and reduce yields.

³³ <http://www.inspection.gc.ca/plants/plant-protection/invasive-species/eng/1328325263410/1328325333845>

Legislative and Regulatory Modernization

-  In the fall of 2011, the CFIA began a systematic review of the Fertilizers Regulations in an effort to modernize the regulatory framework related to fertilizers, add flexibility, and reduce the burden on the regulated sector while also maintaining the highest possible product safety and environmental protection standards. The CFIA commenced consultations with the Canadian Fertilizer Products Forum (CFPF), a stakeholder-led initiative with a goal to improve the regulatory system regarding fertilizers and supplements, on the review, modernization, and implementation of the Regulations. As a result, the CFPF established a series of working groups in order to develop recommendations and provide advice to the CFIA on the review, modernization, and implementation of possible regulatory changes.

Infrastructure Improvement

-  Finally, in an effort to invest in areas that will allow its inspectors and scientists to leverage technology in their roles of safeguarding the nation's plant health and ensure that our information management (IM) needs keep pace with our ability to maintain our programs and services; the Agency examined existing data sources to identify specific IM gaps. Recent initiatives, such as the Import Control and Tracking System and the Automated Directive Management System, have already helped address identified gaps for our Import function. 

Utilizing the new Import Control and Tracking System has enabled the monitoring of targeted imports to ensure the integrity of the import inspection program. Transaction details can be analyzed in real time, reducing delays in addressing non-compliance, rather than having to wait for field examination of documentation from the National Import Service Centre.

Lessons Learned

Field inspection of pedigreed seed crops is a requirement for field crop certification by the Canadian Seed Growers Association (CSGA). This in turn is a requirement for the CFIA's seed certification program, which included the issuing of official certified seed tags. As seed crop inspection largely benefits industry and due to the large resource demand for annually inspecting over 16,000 fields comprising approximately 1.1 M acres for pedigreed seed production, the CFIA took a proactive approach to finding an alternative service delivery (ASD) mechanism that is less resource-intensive, thus allowing the Agency to address our core mandate of health and safety.

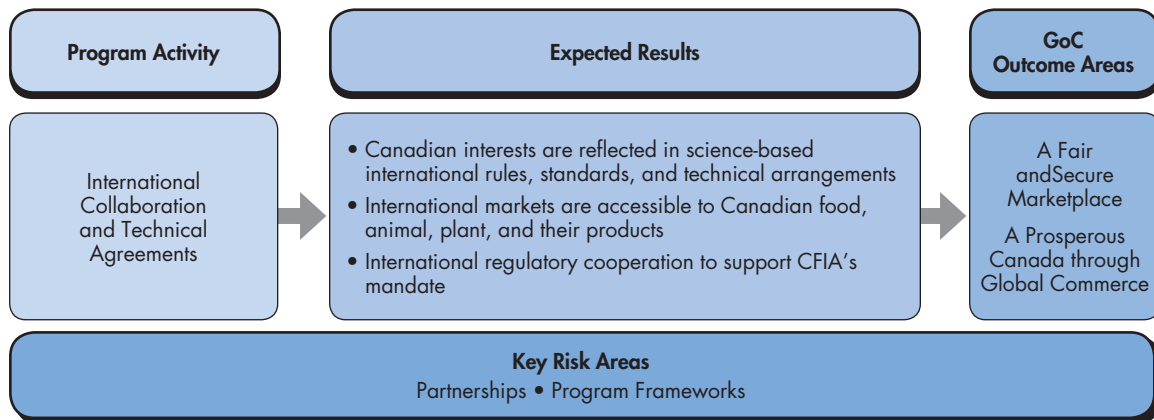
In 2011, the CFIA initiated a pilot project to assess the opportunities for ASD of seed crop inspection by private authorized service providers. The lessons learned from the pilot provided insight into the challenges and opportunities for broader ASD of seed crop inspection.

Specific lessons learned were related to:

- Training and communications: a first-time learning experience for the CFIA, since we dealt with non-CFIA personnel who required more training, more shadow inspecting in the field, and more communication initially;
- Second-party versus third-party models: the third-party fee-for-service model may not pique the interest of providers, depending on the crop, the timing of inspections, competing priorities, the geography and logistics involved, and the fees that the market can bear;
- CFIA's approval process and oversight: for example, deciding on the percentage (per provider and per year) of fields that would require audit inspections;
- Impacts on industry: the Canadian Seed Growers' Association has indicated that the CFIA may be moving too quickly on this initiative; if a viable alternative is to be established, they would require more advance notice and a longer transition period;
- CFIA fees structure: CFIA fees only reflect a portion of the true cost of field inspections and seed certifications; a rise in fees, closer to the true cost, would drive the market from status quo to the ASD model more quickly and would provide more incentive to ASD providers;
- CFIA's operations: shifting from inspecting to auditing and the need for re-training staff.

As it is implemented, Phase 2 of the pilot project in 2012 will allow the Agency to improve and expand its training and learning opportunities, improve crop inspection quality, and fine tune the level of field auditing of ASD providers.

2.2.1.4 Program Activity 4: International Collaboration and Technical Agreements



Program Activity Description:

The CFIA's international collaboration and market access activities aim to contribute to a coherent, predictable, and science-based regulatory framework relating to food safety, animal health, and plant health that facilitates trade for the benefit of the Canadian economy. This is achieved by actively participating in international forums for the development of international science-based rules, standards, and guidelines and in the management of sanitary and phytosanitary committees established under international agreements. The CFIA's active promotion of the Canadian science-based regulatory system with foreign trading partners and its negotiations to resolve scientific and technical issues contribute to market access.

Based on market demand, the CFIA will also continue to negotiate and certify against export conditions in order to support access to export markets. The CFIA, working with industry and interested stakeholders, will continue to develop and maintain export certification standards (which vary from country to country and commodity to commodity), conduct inspections, and issue export certificates.

Planned activities in this area support the *Focus on Programs* priority as well as the *Strengthen Strategic Direction* priority, and will also help to mitigate the following strategic risks:

- Partnerships
- Program Frameworks

2011–12 Financial Resources (\$ millions)

Planned Spending	Total Authorities	Actual Spending
44.3	45.4	34.8

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
363	361	(2)

Variance Analysis:

With the renewal of the PAA in 2011–12, the CFIA worked hard to accurately align its authorities and FTEs to the new Program Activities. Since this initial exercise and further review, some discrepancies have been identified. CFIA is making every effort to address these to allow for better representation in the 2012–13 DPR.

Performance Summary and Analysis of Program Activity

The CFIA implemented a new PAA and PMF at the beginning of fiscal year 2011–12. As such, trend analysis information cannot be provided for 2011–12.

Table 2-5a: Summary of Performance: International Collaboration and Technical Agreements

Expected Result				
Canadian interests are reflected in science-based international rules, standards, and technical arrangements				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Number of Canadian positions on key rules and standards affecting trade in food, animal, plant, and their products that are effectively promoted.	10/Year	29	Met	Moderate Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

Table 2-5b: Summary of Performance: International Collaboration and Technical Agreements

Expected Result				
International markets are accessible to Canadian food, animal, plant, and their products				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Number of actions taken to resolve issues identified through the Market Access Secretariat	5/Year	47	Met	Moderate Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

Table 2-5c: Summary of Performance: International Collaboration and Technical Agreements

Expected Result				
International regulatory cooperation to support the CFIA's mandate				
Performance Indicators*	Targets	Performance Status		Data Quality Rating*
Number of cooperation initiatives achieved	3/Year	11	Met	Moderate Confidence

* For more information on data ratings and limitations regarding the CFIA's performance indicators, please see Section 2.1.1

Please note: Five indicators found in the International Collaboration and Technical Agreements section of the 2011-12 RPP have been omitted from this report. The indicators that were omitted reported on performance at a low-level of detail which would not have added to the strategic performance story presented herein.

Additional Information:

AAFC's Market Access Secretariat (MAS):

<http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1257798989228&lang=eng>

Strategic Performance Analysis

Canadian industries operate in a multilateral trading system within which the volume and diversity of trade in food, plant, and animal products continues to increase. To adapt to global trade patterns, new varieties of risks, increased engagement of international bodies in trade-related activities, and complex partnerships with national and international partners and stakeholders, the CFIA continued to be an architect and advocate for a science-based approach to international rules and standards which can be applied within Canada and within the context of international trade. This is the basis for Canada's participation in multilateral fora and is essential for the management of bilateral and multilateral relationships.


Facilitating Market Access

Canada participates in a highly competitive trade environment and relies on Canadian animal, plant and food systems to serve as a basis for market access. As market access issues arise, effective resolution is facilitated by maintaining, and expanding the reputation of Canadian producers abroad and also by enhancing working relationships with federal partners and stakeholders and careful management of technical issues. For example, in 2011–12, as a partner in the Market Access Secretariat, the CFIA actively participated in a 47 related technical issues. These included:

- In May 2011, India approved Canada's amended health certificate to restore access for the export of breeding horses, allowing Canadian exporters to compete for a share of India's \$3.1 million market in 2010.
- Canada - European Union (EU) recognition of equivalency of organic products was published in the EU Official Journal on June 20, 2011, formally recognizing the Canadian Organic Regime as equivalent to the EU system. Export values are estimated at approximately \$46 million.
- On August 1, 2011, Vietnam's Ministry of Agriculture and Rural Development officially approved the import of live breeding cattle, live sheep, and live goats from Canada. This represented the first opening of a major Asian market for ruminant livestock. Industry estimates the Vietnamese market to have a potential worth of \$50 million, and Canada can now compete for a share therein.
- The United States Department of Agriculture made public, procedures for shipments of Canadian-origin sheep and goats transiting the United States by air or land to a third country. Small ruminants not currently eligible to enter the United States may move to approved airports in the United States for immediate export to third countries. In 2002, which represents the last year that Canadian small ruminants were eligible to enter the United States, exports to all destinations were valued at \$12 million.

DID YOU KNOW?

Following the success of its technical specialists in Beijing, the CFIA increased its presence abroad with a new veterinary technical specialist placed in Moscow to help facilitate and sustain market access and advance regulatory cooperation. CFIA technical specialists abroad continued communicating with foreign authorities to explain the CFIA's rules, regulations, and inspection standards.

-  On February 4, 2011, the Prime Minister of Canada and the President of the United States (US) announced the creation of two initiatives: the *Beyond the Border Initiative (BtB): A Shared Vision for Perimeter Security and Economic Competitiveness*, and the *Canada - United States Regulatory Cooperation Council (RCC)*. Subsequently, CFIA officials began working with central agencies to implement the objectives of these initiatives. Concerning the RCC, the CFIA contributed to the drafting of the Terms of Reference, Joint Action Plan, and work plans for the seven CFIA-led initiatives and three CFIA-supported initiatives. On BtB, the CFIA engaged with its US counterparts to draft language for initiatives identified through the BtB Working Group consultations. These served as the basis for the Border Action Plan, resulting in five CFIA-led initiatives and three CFIA-supported initiatives.

The CFIA also contributed to consultation sessions, coordinated by the Privy Council Office (PCO) and the Treasury Board Secretariat (TBS), with Canadian stakeholders and Federal Departments on the BtB and the RCC. The CFIA has also begun implementing the work plans finalized under the RCC and the BtB, providing regular progress reports to PCO and TBS.

Finally, the CFIA led the Government of Canada delegation for the World Trade Organization Sanitary and Phytosanitary (WTO SPS) committee in negotiating the elaboration of science-based standards that form a component of the international regulatory framework. The SPS Committee focused on dispute avoidance (guidance for ad hoc consultations) and presented proposals to further enhance the implementation of the SPS Agreement (ex. a joint Canada-Japan proposal in support of the coordination of work amongst the international standard-setting bodies was adopted).

Canada hosted an IPPC workshop on the international movement of grain. The workshop provided an opportunity for participants from 20 countries to exchange useful information and identify potential issues related to the international movement of grain. The information collected will provide a solid basis for the development of an IPPC standard on the best practices on the international movement of grain.

The CFIA represented Canada in the OIE General Session of the World Assembly of Delegates of the OIE to adopt resolutions:

- to guide the administration and future work program for the organization; and
- for the adoption of revisions to the Aquatic Animal Health Code, the Terrestrial Animal Health Codes, and to their respective manuals of diagnostic tests and vaccines.

Emerging Issues and Risks

The number and variety of new and emerging issues relevant to the mandate of the CFIA stem from greater international movement of goods, new technologies, and changing consumer demands. The CFIA, in collaboration with other government departments, is increasingly active in developing or contributing to the development of policy positions, strategies and regulatory responses on a broad spectrum of emerging issues. For example, in one of its efforts to resolve specific bilateral trade issues and harmonize approaches to disease issues, the CFIA participated in discussions that led to the development of new conditions to address the Schmallenberg virus. The virus, transmitted from insects, is currently circulating in Europe and appears to be causing a range of adverse health effects in ruminant livestock, including fever, diarrhea, reduced milk yield, and birth defects.



The CFIA further developed regulatory relationships on food safety, animal health, and plant health through continued engagement in existing committees and foreign and regulatory organizations such as the:

- Health Canada – CFIA – United States Food and Drug Administration (US FDA) Food Safety Committee;
- Canada – European Union (EU) Joint Management Committee; and
- China’s General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ).

The CFIA also created new senior level committees and technical working groups in order to exchange information on food safety initiatives and identify best practices, including those targeted at managing import risks. For example, the CFIA created a new senior level committee with Russia on sanitary requirements for animal products. The committee provides a forum for the CFIA to strengthen its relationship with regulatory counterparts in Russia while also working to resolve trade issues.

Lessons Learned

In 2011–12, trading partners in certain export markets informed the CFIA that official Canadian export certificates were being counterfeited, and as such, access to certain export markets was being threatened. Recognizing an area of weakness for Canada, and the potential loss of key markets for Canadian exporters, the CFIA implemented a strategy and further measures to increase the integrity of the CFIA’s meat export certificates, an effort aimed at the prevention of counterfeit official certificates for export. As a result, not only is a system now in place to validate CFIA certificates with the government authorities of a few crucial countries where counterfeit documents have been detected, but the CFIA has begun applying this to other commodities to prevent similar incidents from occurring.

2.2.1.5 Internal Services

Internal Services provide robust, sustainable, and affordable enabling services in support of the CFIA's responsibilities and its strategic outcome. Internal services and internal operations ensure that the CFIA has sufficient resources to operate successfully and that matters of administration and human and capital resources are addressed.

Planned activities within the Internal Services Program support the *Focus on People* priority, the *Focus on Stewardship* priority and the *Strengthen Strategic Directions, Performance Measurement and Transparency* priority. It will also help to mitigate the following strategic risks:

- Information and Decision Making
- Internal Co-ordination
- Human Resources

2011–12 Financial Resources (\$ millions)

Planned Spending	Total Authorities*	Actual Spending*
132.3	152.1	149.7
* Excludes amount deemed appropriated to Shared Services Canada. Please see Section 2.3 for more information.		

2011–12 Human Resources (FTEs)

Planned	Actual	Difference
1,041	974	(67)

Variance Analysis:

With the renewal of the PAA in 2011–12, the CFIA worked hard to accurately align its authorities and FTEs to the new Program Activities. Since this initial exercise and further review, some discrepancies have been identified. The CFIA is making every effort to address these to allow for better representation in the 2012–13 DPR.

Performance Summary and Analysis of Program Activity


The CFIA implemented a new PAA and PMF at the beginning of fiscal year 2011–12. As such, trend analysis information cannot be provided for 2011–12.

Strategic Performance Analysis

Build a Stronger Foundation to Enable Effective and Efficient Program Delivery

To strengthen its strategic direction, senior management at the CFIA continued to enhance its decision making and program delivery capacity through the implementation of the horizontal committee structure. Specifically, in 2011–12, the CFIA revised its business line structure to strengthen senior management decision-making capacity. The resulting three business line committees are generally comprised of and lead by Executive Directors and are organized along the core CFIA program activities: food safety and animal and plant health. Part of the revision included the creation of an International Coordination Committee (ICC). The ICC improves the integration and coordination of international issues across the three core business lines and includes members from Agriculture and Agri-food Canada's Market Access Secretariat. The revised structure fosters a more transparent communications approach and improves senior management's ability to monitor the implementation of strategic decisions. It also facilitates efforts to strengthen and integrate corporate planning and reporting functions and ensure priority setting and performance reporting are managed in a systematic way.

The 2010–11 internal audit report on plant health and biosecurity indicated that senior management was not being provided with reliable, consistent, and useful performance information that provided an overview of progress towards planned Plant program-wide objectives and priorities. In response, reporting and performance monitoring have been enhanced this past year within the CFIA. This has occurred through the implementation of a new Program Activity Architecture (PAA), Performance Measurement Framework (PMF), and financial coding structure that went into effect on April 1, 2011. These new structures will allow the CFIA to more effectively report on its performance and progress as the PAA, PMF and codes used in financial tracking are now more directly aligned to how the CFIA functions.

-  The Performance Management Reporting Solution (PMRS), a multi-phased project to integrate and automate management and reporting requirements for PMF indicators, fully automated 16 PMF indicators, as well as 8 program delivery indicators, and 4 associated sub-indicators. Automated reporting of these PMF indicators and program delivery indicators will enhance efficiency and access to performance information, thereby improving report reliability and effective program management.

In 2011–12, the scope and budget of the PMRS project were re-based lined by the Multi-Project Special Project Advisory Committee (MP-SPAC) and the completion date was brought forward by one year to March 31, 2012. In acknowledgement of efforts currently underway within the Agency to integrate its diverse IM, performance measurement and reporting initiatives under one overarching strategy and plan, the PMRS project was instructed to complete the automation of the 16 indicators identified as ready for automation and then close out operation. The infrastructure and benefits of the PMRS will be leveraged as the CFIA moves forward with its more comprehensive Agency-wide approach to performance information management reporting.

The CFIA also continued to work on the development of its Long Term Strategic Plan (LTSP). This involved setting a vision for the CFIA and determining focus areas, major goals and strategies that will ultimately create a strategic framework for the CFIA. Until the LTSP is completed the CFIA is using its comprehensive change agenda in conjunction with its corporate risk profile to provide the equivalent level of strategic direction for priority setting and Agency business planning.

Enhance Service Focus to Improve Results for Regulated Parties and Consumers

In 2011–12 the CFIA began several initiatives to enhance transparency, improve engagement with stakeholders, and increase accountability. On February 27, 2012, the Minister of AAFC announced that the CFIA had developed a Statement of Rights and Service for Producers, consumers and other Stakeholders as well as six guides to inspection. The Statement and guides are important tools for stakeholders to use in their interactions with the CFIA. They outline what the CFIA does, what its service standards are, and what stakeholders can expect when dealing with the Agency. The purpose of the Statement and guides is to continue to strengthen transparency and communication with stakeholders and the public.

Additionally, in an effort to enhance communications with stakeholders, the CFIA realized that there was an opportunity to create a more transparent way for external partners to register complaints and appeals related to quality of service, administrative errors, and regulatory decisions. These efforts, combined with the development of the Statement and guide led to the creation of the Complaints and Appeals Office which was launched on April 2, 2012.

The CFIA is also implementing its Web Communications Strategy. Once fully implemented, the CFIA's website will provide Canadians with easy access to services and important information in a format that Canadians want and expect. Further to this, the CFIA also implemented a Web Content Management System (WCMS) that enhances the web publishing process, reducing potential errors and providing greater consistency in the structure of the CFIA web pages.

The CFIA has continued working to improve its access to information and privacy (ATIP) process. New mechanisms continue to be developed to and will be put in place to allow greater oversight, coordination, accountability and transparency over the ATIP process.

Following an assessment and internal audit of the CFIA's IM/IT capacity and infrastructure, the IM/IT Campaign Plan was developed. This strategic plan identifies specific goals and objectives to guide the IM/IT Program during the next 3 to 5 years. It aligns the Agency's IM/IT capability to its strategic goals and outcomes and provides the framework to address current and future capacity. The IM/IT Campaign Plan also creates a logical IM/IT service model by defining its services into four Lines of Operation: Information Management and Collaboration (IM&C), Enhanced Information Technology Infrastructure (EITI), Secure Integrated Information Environment (SIIE), and Modernized Business Applications (MBA). The Plan was developed collaboratively and cooperatively with the CFIA's horizontal committees and enables the CFIA, to invest in areas that will allow inspectors and scientists to leverage technology in their day-to-day operations in safeguarding the nation's food supply and plant and animal health.



The CFIA continues to work on the assessment of its security risks, through its Agency Security Plan (ASP). The CFIA is implementing activities identified in the plan while continuing to monitor controls that are currently in place. In accordance with the plan, measuring and monitoring results and progress reports will be submitted to Senior Management at the end of each fiscal year.

The CFIA focused on people management through the continued support of its communities of executives, managers, and youth. These include the Executive Community Committee (CEXCC), National Managers' Community (NMC), and Synapse (CFIA Youth Network). These networks are integral to the development of management and leadership skills, offering participants individualized learning opportunities, lunch and learn workshops, and job shadowing activities.


DID YOU KNOW?

Shared Services Canada was established on August 4, 2011, to consolidate and streamline existing resources and personnel relating to email, data centres, networks, and associated internal services from 44 departments and agencies across the Government of Canada.

Shared Services Canada will support all departments and agencies, including the Canadian Food Inspection Agency (CFIA), in infrastructure services for the delivery of email, data centres, and networks. CFIA clients will continue to receive the high level of service that is already being provided.

-  The CFIA has focused on building a highly trained and adaptive workforce that is able to keep pace with an increasingly complex business environment. Significant examples of work in this area include:
 - refresher training delivered to over 430 existing inspection staff members in an effort to ensure they have the competencies they need to deliver the modernized inspection model;
 - an Essentials for Supervision course (of which over 400 supervisors participated in) that focused on developing basic leadership skills aimed at supervisors or future supervisors; and
 - part-time official language training involving 5 hours of training during work hours and 5 hours of practice on employee time; this resulted in several employees receiving their enhanced language levels several months ahead of schedule.
-  Planning and priority setting for technical training was improved with the use of the Inspector Commodity Identification Program and the curricula for each of our 14 inspection programs. The use of these two resources has allowed planners to verify training activities undertaken against required curricula and plan for any additional training required to fully meet the needs of each program.

During 2011–12, the CFIA created an integrated Union-Management Policy and Framework. This Framework has allowed the CFIA and the unions to foster improved communications and dialogue, better union and management relationships, and a healthier and more productive workplace.

-  A National Joint Employment Transition Steering Committee was created in the winter of 2011 to address concerns and questions coming out of the implementation of the Deficit Reduction Action Plan (DRAP) and to better prepare for subsequent workforce adjustments. As well, a National Employment Transition Mailbox was created to deal with questions and concerns related to the implementation of DRAP on behalf of employees and union representatives. Additionally, the President's Corner was launched on the CFIA's intranet as a means of improving communication between the President and senior management and staff across the country.

Building on the work which began with the establishment of an Enterprise Project Management Office (ePMO) in 2010, the CFIA has continued to enhance its project management capacity. This includes the launch of the Enterprise Project Management Framework (ePMF) which included an ePMF Handbook and Governance, Rating and Reporting Guides. By putting the ePMF in place and developing guide materials, the CFIA has improved project delivery and outcomes by ensuring the projects are managed with the correct level of rigour and supervision.

2.3 Impacts on Financial and Human Resources Resulting from the Establishment of Shared Services Canada

2011–12 Financial Resources (\$ millions)		
	Planned Spending	Total Authorities*
Net transfer post Orders in Council (OIC)** to Shared Services Canada (SSC)	0	7.1
2011–12 Human Resources (FTEs)		
	Planned	Actual
Deemed to SSC	0	16
<p>* Pursuant to section 31.1 of the <i>Financial Administration Act</i> and Orders in Council P.C. 2011-0881, P.C. 2011-0877 and P.C. 2011-1297, this amount was deemed to have been appropriated to SSC, which resulted in a reduction in the appropriation for the Canadian Food Inspection Agency.</p> <p>** Total authorities, as presented in the “2011–12 Financial Resources” table and the “Summary of Performance” section, is the net of any transfers to SSC. Actual spending does not include expenditures incurred on behalf of SSC as of the OIC date.</p>		

Section III: Supplementary Information

3.1 Financial Information

3.1.1 Financial Highlights

The financial highlights presented within the Agency's Performance Report are intended to serve as a general overview of the CFIA's financial position and operations. Financial statements are prepared in accordance with accrual accounting principles, Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General which are based on Canadian generally accepted accounting principles for the public sector as required under Section 31 of the *Canadian Food Inspection Agency Act*. The Agency has been audited since its creation and has always received an unqualified opinion from the Office of the Auditor General of Canada.

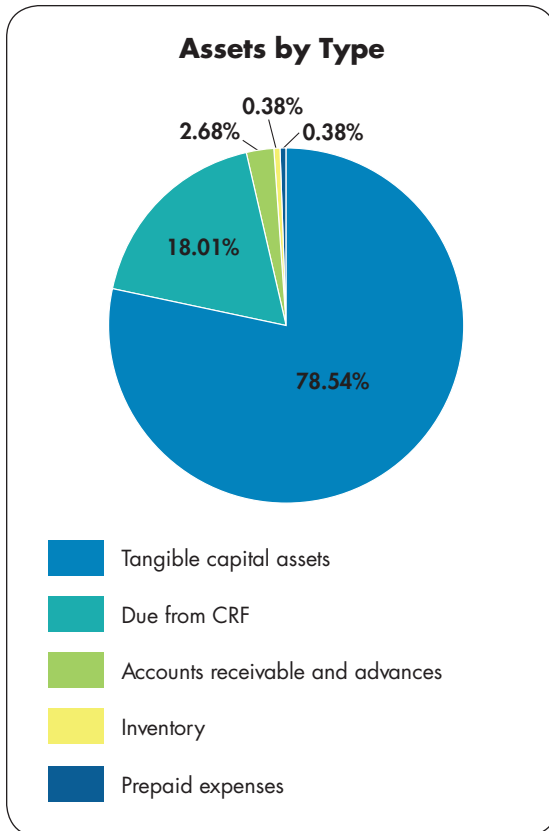
The main highlights for 2011-2012 are the application of the new Treasury Board Accounting Standard 1.2 – Departmental and Agency Financial Statements, the Shared Services Canada expenses presented as services received without charge, the recording of a work force adjustment liability, the change in the accounting of the Agency's spendable revenues, the change in the program architecture and the inclusion of the planned results in the Statement of Operations and Agency Net Financial Position.

(In thousands of dollars)

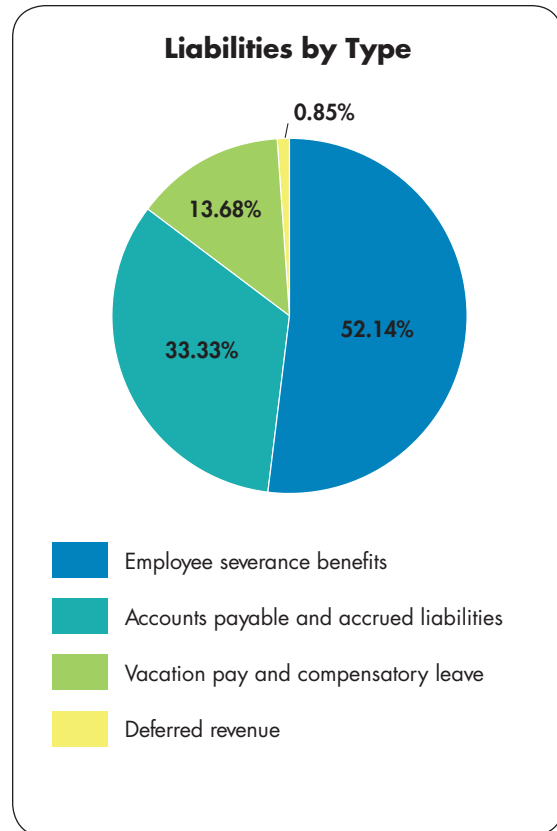
Condensed Statement of Financial Position As at March 31	% Change	2012	2011
Total net liabilities	5.50%	233,510	221,338
Total net financial assets	-34.54%	53,605	81,890
Agency – net debt	29.01%	179,905	139,448
Total non-financial assets	-12.06%	206,767	235,115
Agency – net financial position	-71.92%	26,862	95,667

(In thousands of dollars)

Condensed Statement of Operations and Agency Net Financial Position Year ended March 31	% Change	2012	2011
Total expenses	5.42%	884,525	839,040
Total revenues	2.71%	57,560	56,041
Net cost of operations	5.62%	826,965	782,999
Net cost of operations after government funding and transfers		68,805	(10,777)
Agency – net financial position – Beginning of year	-12.70%	95,667	84,890
Agency – net financial position	-71.92%	26,862	95,667

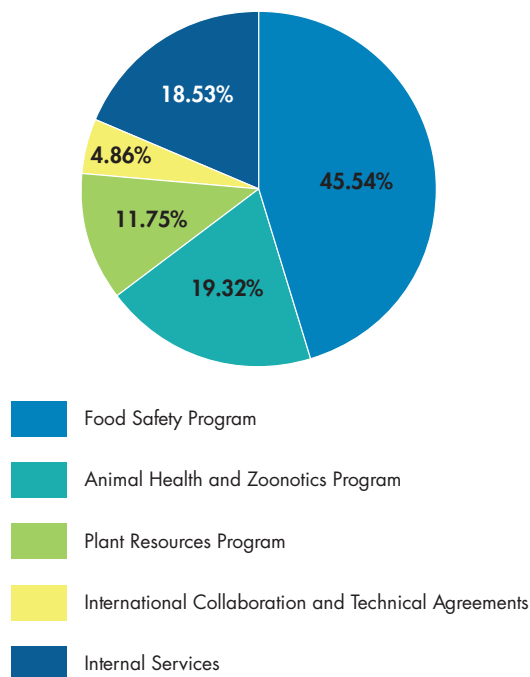


The total net financial assets of \$54 million represent a decrease of \$28 million (35%), which is mainly the result of a decrease in the amount of Due from the Consolidated Revenue Fund (\$28 million) resulting from the 2012 budget restraints. The non-financial assets also decreased by \$28 million (12%) from \$235 million to \$207 million. This is a result of a decrease in the net book value of tangible capital assets as the amortization was more significant compare to the new acquisitions for 2012. Tangible capital assets represented the largest portion of the total assets, at \$205 million (79%), while Due from CRF represented 18% at \$47 million. Accounts receivable and advances only represented 3%, followed by the inventory and prepaid expenses which represented less than 1% of total assets.



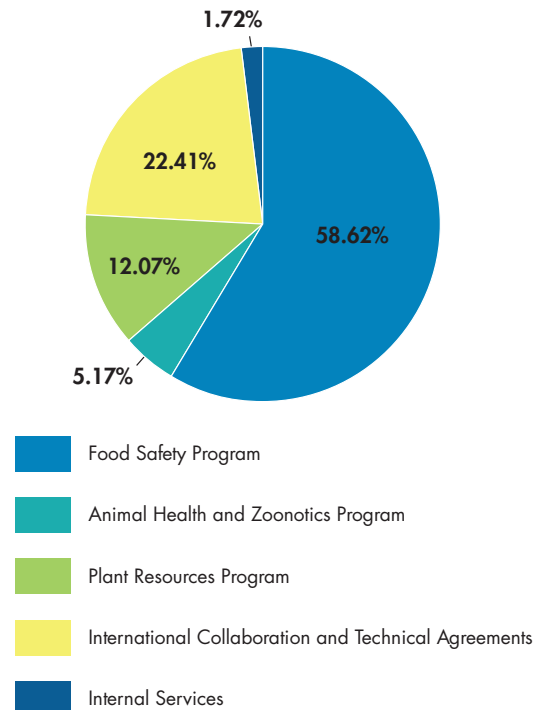
Total net liabilities at the end of 2011-2012 were \$234 million, an increase of \$13 million (6%) over the previous year's total net liabilities of \$221 million. The \$13 million increase is mostly explained by an increase in employee severance benefits (\$16 million) resulting from a higher rate provided by the Office of the Chief Actuary. Employee severance benefits represented 52% of total net liabilities, at \$122 million, followed by the accounts payable and accrued liabilities which represented 33 % of total net liabilities, at \$78 million. Vacation pay and compensatory leave represented \$32 million (14%), while deferred revenue represented less than 1% of total net liabilities.

Expenses by Program Activities



The Agency's total expenses were \$885 million in 2011-2012, an increase of \$46 million (5%) compare to last year. The significant increases come from the costs recorded for the workforce adjustment resulting from the deficit reduction action plan (\$23 million), the increase in severance benefits expenses (\$12 million), greater amortization (\$6 million), and higher services received without charges, not including Shared Services Canada expenses (\$9 million). The majority of the expenses, \$403 million (46%) were under the Food Safety Program. Both the Animal Health and Zoonotics Program as well as the Internal Services formed 19% of total expenses, while the Plant Resources Program represented 12 % at \$104 million. Approximately 5% of all expenses were under the International Collaboration and Technical Agreements.

Revenues by Program Activities



The Agency's total revenues amounted to \$58 million for 2012-2011. Revenues for 2011-2012 remained fairly consistent with the revenues earned in 2010-2011, with a slight increase of \$2 million (3%). The inspection fees forms the biggest portion of the revenues at \$43 million, representing 74 % of all revenues. More than half of the revenue was derived from the Food Safety Program, while the International Collaboration and Technical Agreements represented 22% at \$13 million. The Plant Resources Program represented 12% of all revenues while the Animal Health and Zoonotics Program represented approximately 5%. Less than 2% of all revenues were derived from Internal Services.

Comparison between Future-Oriented Financial Information and Actual Results

CFIA reported planned results for the fiscal year 2012 in its Financial Statements. Those figures are taken from the 2011–2012 Future-Oriented Statement of Operations.

The total expenses planned were \$817 million versus actual expenses of \$885 million for a variance of \$68 million. That variance is explained by a difference (\$19 million) between the appropriation available forecasted (\$719 million) versus the actual appropriation used (\$738 million). That difference is mostly explained by \$8 million more in capital votes than expected, \$3 million more in statutory contributions to the employee benefits plans and \$5 million more in compensation payments than expected. Given the nature of the Agency's compensation payments, the forecasted amount is established at \$1.5 million automatically. In addition, as a result of the recent announcement related to the deficit reduction action plan by the Government, the Agency recorded a liability of \$23 million for workforce adjustment costs. The amortization also came in higher than expected at \$38 million versus the original estimate of \$29 million. That difference of \$9 million is explained by a significant increase of assets under construction completed during the fiscal years 2011 and 2012, which increased significantly the amortization for the 2012 fiscal year. The remaining of the variance (\$14 million) is mostly explained by the revision of the employee severance benefits allowance following an adjustment to the rates used in the calculation of this liability.

The Agency's inspection fees have increased following reinforcements surrounding the completeness of revenue therefore resulting in the \$5 million difference seen between the original forecast and the actual revenues for 2012.

3.1.2 Auditor General's Audit Opinion on Financial Statements and Audited Financial Statements



Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the President of the Canadian Food Inspection Agency and the Minister of Agriculture and Agri-Food

Report on the Financial Statements

I have audited the accompanying financial statements of the Canadian Food Inspection Agency, which comprise the statement of financial position as at 31 March 2012, and the statement of operations and agency net financial position, statement of change in agency net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

.../2

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Food Inspection Agency as at 31 March 2012, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink, appearing to read 'D. Shier', followed by a large, stylized flourish or checkmark.

Dale Shier, CA
Principal
for the Auditor General of Canada

21 September 2012
Ottawa, Canada

Financial Statements of

CANADIAN FOOD INSPECTION AGENCY

Year ended March 31, 2012

CANADIAN FOOD INSPECTION AGENCY

Statement of Management Responsibility Including Internal Control Over Financial Reporting (Unaudited)

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012 and all information contained in these statements rests with the Agency's management. These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Agency's *Departmental Performance Report* is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Agency and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

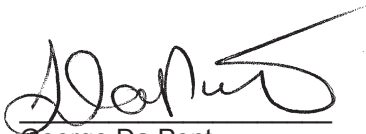
A risk-based assessment of the system of ICFR for the year ended March 31, 2012 was completed in accordance with the Treasury Board *Policy on Internal Control* and the results and action plans are summarized in the annex.

The Departmental Audit Committee is responsible for providing the President with independent, objective advice and guidance in relation to the adequacy of the Agency's control and accountability processes. The Departmental Audit Committee provides this support through oversight of core areas of the Agency's controls and accountabilities, including values and ethics, risk management, management control framework, internal audit functions, and accountability reporting.

CANADIAN FOOD INSPECTION AGENCY

Statement of Management Responsibility Including Internal Control Over Financial Reporting (Unaudited)

The financial statements of the Agency have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada which does not include an audit opinion on the statement of management responsibility including internal control over financial reporting and annual assessment of the effectiveness of the department's internal controls over financial reporting.



George Da Pont
President

Ottawa, Canada

September 21, 2012



Peter Everson
Vice-President, Corporate Management
Branch

CANADIAN FOOD INSPECTION AGENCY

Statement of Financial Position

As at March 31

(In thousands of dollars)

	2012	2011 Restated (Note 2)
Liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 78,125	\$ 81,653
Vacation pay and compensatory leave	31,593	31,407
Deferred revenue	2,024	2,242
Employee severance benefits (Note 6 (b))	121,773	106,036
Total gross liabilities	233,515	221,338
Deferred revenue held on behalf of Government	(5)	-
Total net liabilities	233,510	221,338
Financial Assets		
Due from Consolidated Revenue Fund	46,524	73,809
Accounts receivable and advances (Note 7)	8,062	8,927
Total gross financial assets	54,586	82,736
Accounts receivable and advances held on behalf of Government (Note 7)	(981)	(846)
Total net financial assets	53,605	81,890
Agency - net debt	179,905	139,448
Non-Financial assets		
Prepaid expenses	1,161	1,168
Inventory	1,048	1,013
Tangible capital assets (Note 8)	204,558	232,934
Total non-financial assets	206,767	235,115
Agency - net financial position	\$ 26,862	\$ 95,667

Contingent liabilities (Note 9)

Contractual obligations (Note 10)

The accompanying notes are an integral part of these financial statements.

Approved by:



George Da Pont
President



Peter Everson
Vice-President, Corporate Management
Branch

Ottawa, Canada
September 21, 2012

CANADIAN FOOD INSPECTION AGENCY

Statement of Operations and Agency Net Financial Position

Year ended March 31

(In thousands of dollars)

	2012 Planned Results	2012	2011 Restated (Note 2)
Expenses			
Food Safety Program	\$ 370,294	\$ 402,503	\$ 384,455
Animal Health and Zoonotics Program	149,686	170,987	167,285
Plant Resources Program	96,714	103,993	97,967
International Collaboration and Technical Agreements	50,231	42,965	39,362
Internal Services	149,662	164,080	149,974
Expenses incurred on behalf of Government	-	(3)	(3)
Total expenses	816,587	884,525	839,040
Revenues			
Inspection fees	37,492	43,088	40,625
Registrations, permits, certificates	9,433	8,478	9,027
Miscellaneous fees and services	3,726	3,959	4,405
Establishment license fees	1,724	1,888	1,788
Administrative monetary penalties	537	837	501
Grading	203	211	200
Interest	46	44	24
Revenues earned on behalf of Government	(583)	(945)	(529)
Total revenues	52,578	57,560	56,041
Net cost of operations	764,009	826,965	782,999
Government funding and transfers			
Net Cash provided by government		705,399	715,867
Change in due from Consolidated Revenue Fund		(27,285)	5,582
Services provided without charge by other government departments (Note 11)		82,764	65,821
Assets funded by other government departments (OGD)		138	303
Transfer of assets and liabilities from/to OGD (Note 12)		(2,856)	6,203
Net cost of operations after government funding and transfers		68,805	(10,777)
Agency - net financial position - Beginning of year		95,667	84,890
Agency - net financial position - End of year	\$	26,862	\$ 95,667

Segmented information (Note 13)

The accompanying notes are an integral part of these financial statements.

CANADIAN FOOD INSPECTION AGENCY

Statement of Change in Agency Net Debt

Year ended March 31
(In thousands of dollars)

	2012	2011
Net cost of operations after government funding and transfers	\$ 68,805	\$ (10,777)
Change in tangible capital assets		
Acquisition of tangible capital assets	14,277	50,065
Amortization of tangible capital assets	(37,640)	(31,550)
Proceeds from disposal of tangible capital assets	(119)	(218)
Loss on disposal of tangible capital assets	(113)	(543)
Post-capitalization of tangible capital assets	47	818
Transfer from/to low value assets	-	(87)
Tangible capital assets funded by other government departments (OGD)	91	200
Tangible capital assets transfer to OGD (Note 12)	(4,919)	6,203
Total change due to tangible capital assets	(28,376)	24,888
Change in inventories	35	(158)
Change in prepaid expenses	(7)	706
Net increase in Agency net debt	40,457	14,659
Agency - net debt - Beginning of year	139,448	124,789
Agency - net debt - End of year	\$ 179,905	\$ 139,448

The accompanying notes are an integral part of these financial statements.

CANADIAN FOOD INSPECTION AGENCY

Statement of Cash Flows

Year ended March 31
(In thousands of dollars)

	2012	2011 Restated (Note 2)
Operating activities		
Cash received from:		
Fees, permits and certificates	\$ (60,240)	\$ (56,864)
Cash paid for:		
Salaries and employees benefits	611,756	581,369
Operating and maintenance	137,415	136,677
Transfer payments	3,086	5,096
Revenues collected on behalf of Government	(776)	(258)
Cash used by operating activities	691,241	666,020
Capital investment activities		
Acquisition of tangible capital assets	14,277	50,065
Proceeds from disposal of tangible capital assets	(119)	(218)
Cash used by capital investment activities	14,158	49,847
Net cash provided by Government of Canada	\$ 705,399	\$ 715,867

The accompanying notes are an integral part of these financial statements.

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

1. Authority and Purposes

The Canadian Food Inspection Agency (the "Agency") was established, effective April 1, 1997, under the *Canadian Food Inspection Agency Act*. The *Act* consolidates all federally mandated food and fish inspection services and federal animal and plant health activities into a single agency.

The Agency is a departmental corporation named in Schedule II to the *Financial Administration Act* and reports to Parliament through the Minister of Agriculture and Agri-Food.

The mandate of the Agency is to enhance the effectiveness and efficiency of federal inspection and related services for food, animals and plants. The objectives of the Agency are to contribute to a safe food supply and accurate product information; to contribute to the continuing health of animals and plants; and to facilitate trade in food, animals, plants, and related products.

In delivering its mandate, the Agency operates under the following 4 program activities supported by internal services:

- (a) Food Safety Program: The Food Safety Program aims to mitigate risks to public health associated with diseases and other health hazards in the food supply system and to manage food safety emergencies and incidents. The program achieves its objectives by promoting food safety awareness through public engagement and verification of compliance by industry with standards and science-based regulations. The program delivers initiatives to verify that consumers receive food safety and nutrition information and to mitigate unfair market practices targeting consumers and industry. Collaboration with other governments and stakeholders further enhances the Agency's ability to track, detect and mitigate risks associated with food and the food supply system, including food-borne illness. This program supports public health and instils confidence in Canada's food system.
- (b) Animal Health And Zoonotics Program: The Animal Health and Zoonotics Program aims to mitigate risks to Canada's animal resource base, animal feeds and animal products, which are integral to a safe and accessible food supply system as well as to public health. The program achieves its objectives by mitigating risks to Canada's animals (including livestock and aquatic animals) from regulated diseases, managing animal disease emergencies and incidents, mitigating and managing risks to livestock and derived food products associated with feed, promoting animal welfare and guarding against deliberate threats to the animal resource base. The program helps to mitigate risks associated with animal diseases that can be transmitted to humans by controlling diseases within animal populations. This program supports the health of Canada's animal resources and instils confidence in the safety of Canada's animals, animal products and by-products, and production systems.
- (c) Plant Resources Program: The Plant Resources Program aims to mitigate risks to Canada's plant resource base, which is integral to a safe and accessible food supply, as well as to public health and environmental sustainability.

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

The program achieves its objectives by regulating agricultural and forestry products; mitigating risks to the plant resource base (including crops and forests) from regulated pests and diseases; regulating the safety and integrity of seeds, fertilizers and plant products; and managing plant health emergencies and incidents. The program also guards against deliberate threats to the plant resource base, facilitates the introduction of emerging plant technologies and protects the rights of plant breeders. Achieving the objectives of the program instils confidence in Canada's plants, plant production systems and plant products, and contributes to the health of Canada's plant resources.

- (d) International Collaboration And Technical Agreements: The CFIA's International Collaboration and Technical Agreements program contributes to a coherent, predictable, and science-based international regulatory framework that facilitates meeting regulatory requirements of importing countries' food, animals and plants, and their products, resulting in the facilitation of multi-billion dollar trade for the Canadian economy. The program achieves its objectives through actively participating in international fora for the development of international science-based rules, standards, guidelines and policies and, the management of sanitary and phytosanitary committees established under international agreements. The CFIA's active promotion of the Canadian science-based regulatory system with foreign trading partners and negotiations to resolve scientific and technical issues contribute to market access.
- (e) Internal Services: Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization.

These groups are: Management and Oversight Services; Communication Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Material Management Services; Travel and Other Administrative Services.

The Agency is responsible for the administration and enforcement of the following acts: *Agriculture and Agri-Food Administrative Monetary Penalties Act, Canada Agricultural Products Act, Canadian Food Inspection Agency Act, Feeds Act, Fertilizers Act, Fish Inspection Act, Health of Animals Act, Meat Inspection Act, Plant Breeders' Rights Act, Plant Protection Act, and Seeds Act.*

In addition, the Agency is responsible for enforcement of the *Consumer Packaging and Labelling Act* and the *Food and Drugs Act* as they relate to food, except those provisions that relate to public health, safety, or nutrition.

Operating and capital expenditures are funded by the Government of Canada through parliamentary authorities. Compensation payments under the *Health of Animals Act* and the *Plant Protection Act* and employee benefits are authorized by separate statutory authorities. Revenues generated by its operations are deposited to the Consolidated Revenue Fund and are available for use by the Agency.

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

2. Accounting changes

During 2011, amendments were made to *Treasury Board Accounting Standard 1.2 – Departmental and Agency Financial Statements* to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to the Agency's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-11 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, the Agency now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity of Canada.

Revenue and related accounts receivable are now presented net of non-respendable amounts in the Statement of Operations and Agency Net Financial Position and Statement of Financial Position. The effect of this change was to increase the net cost of operations after government funding and transfers by \$945,000 for 2012 (\$529,000 for 2011) and decrease total financial assets by \$981,000 for 2012 (\$846,000 for 2011).

Government funding and transfers, as well as the credit related to services provided without charge by other government departments, are now recognized in the Statement of Operations and Agency Net Financial Position below "Net cost of operations before government funding and transfers." In previous years, the Agency recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding and transfers by \$758,160,000 for 2012 (\$793,776,000 for 2011).

(In thousands of dollars)	2011 As previously stated	Effect of change	2011 Restated
Statement of Financial Position:			
Financial assets	\$ 83,904	\$ (1,168)	\$ 82,736
Assets held on behalf of Government	-	(846)	(846)
Departmental financial position	96,513	(846)	95,667
Statement of Operations and Agency Net Financial Position:			
Revenues	56,570	(529)	56,041
Expenses	839,043	(3)	839,040
Net Cash Provided by Government	715,631	236	715,867

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

3. Summary of Significant Accounting Policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

The Agency is mainly financed by the Government of Canada through parliamentary authorities. Authorities provided to the Agency do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Agency Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 4 provides a high level reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Agency Net Financial Position are the amounts reported in the future-oriented financial statements included in the *2011-12 Report on Plans and Priorities*.

(b) Net cash provided by Government of Canada

The Agency operates within the Consolidated Revenue Fund (CRF), which is administrated by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF and all cash disbursements made by the Agency are paid from the CRF.

The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government of Canada.

(c) Due from the Consolidated Revenue Fund (CRF)

The amount of due from CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Agency is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

Revenues for fees, permits and certificates are recognized in the accounts as the services are provided.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenue from external parties for specified purposes is recognized in the period in which the related expenses are incurred.

Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

Revenues earned on behalf of Government are non-respendable and are not available to discharge the Agency's liabilities. These revenues are presented as a reduction to the Agency's revenues. While the President is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues.

As a result, non-respendable revenues are considered to be earned on behalf of Government of Canada and are therefore presented in reduction of the Agency's revenues.

(e) Expenses

Expenses are recorded on an accrual basis:

Transfer payments are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

(i) Pension benefits:

The Agency's eligible employees participate in the Public Service Pension Plan (the "Plan"), a multi-employer plan administered by the Government of Canada. Both the employees and the Agency contribute to the cost of the Plan. The Agency's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Agency. Under present legislation the Agency is not required to make contributions with respect to actuarial deficits of the Plan.

(ii) Severance benefits:

Eligible employees are entitled to severance benefits, as provided for under labor contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits at the Agency level using specific rates provided by the Office of the Chief Actuary of Canada.

(iii) Other future benefit plans:

The Government of Canada sponsors a variety of other future benefit plans from which employees and former employees can benefit during or after employment or upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Services Plan represent the two major future benefit plans available to the Agency's employees.

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

The Agency does not pay for these programs as they fall under the Government of Canada's financial responsibilities, but the Agency records its share of the annual benefits paid under these programs as a service provided without charge by other government departments. No amount is recorded in the Agency's financial statements with regard to either the actuarial liability of these programs at year end or the annual increase of such liabilities.

(g) Accounts receivable and advances

Accounts receivable and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(h) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(i) Inventory

Inventory consists of laboratory materials, supplies and livestock held for future program delivery and not intended for re-sale. It is valued at cost. If it no longer has service potential, it is valued at the lower of cost or net realizable value.

(j) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. Amortization of tangible capital assets is recorded on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Amortization Period
Buildings	20-30 years
Machinery and equipment	5-20 years
Computer equipment and software	3-10 years
Vehicles	7-10 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement
Assets under construction	Once in service, in accordance with asset class

(k) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable.

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

4. Parliamentary Authorities

The Agency receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and Agency Net Financial Position and the Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year authorities used:

(In thousands of dollars)	2012	2011
Net cost of operations before government funding and transfers	\$826,965	\$782,999
Adjustments for items affecting net cost of operations but not affecting authorities:		
Add (less):		
Services provided without charge by other government departments	(82,764)	(65,821)
Amortization of tangible capital assets	(37,640)	(31,550)
Revenues pursuant to Section 30 of the CFIA act	56,570	-
Accounts receivable and liabilities transferred to Shared Services Canada	(2,063)	-
Bad debt	(113)	(193)
Net changes in future funding requirements	(37,304)	(13,576)
Low value assets funded by other government departments	(47)	(103)
Loss on disposal of tangible capital assets	(113)	(543)
Post-capitalization of tangible capital assets	47	818
Net book value of transfer in/out	-	(87)
	(103,427)	(111,055)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Add (less):		
Acquisition of tangible capital assets	14,277	50,065
Proceeds from disposal of tangible capital assets	(119)	(218)
	14,158	49,847
Current year authorities used	\$737,696	\$721,791

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

(b) Authorities provided and used:

(In thousands of dollars)	2012	2011
Vote 20 - Operating expenditures	\$617,231	\$617,777
Vote 25 - Capital expenditures	29,209	44,971
Revenues pursuant to Section 30 of the CFIA act	58,835	-
Statutory contributions to employee benefits plans and compensation payments	89,100	88,020
Less:		
Authorities available for future years	(3,202)	(145)
Lapsed authority – operating	(38,024)	(25,061)
Lapsed authority – capital	(15,453)	(3,771)
Current year authorities used	\$737,696	\$721,791

5. Accounts Payable and Accrued Liabilities

The following table presents details of the Agency's account payable and accrued liabilities:

(In thousands of dollars)	2012	2011
Accounts payable to other government department (OGD)	\$6,071	\$19,817
Accounts payable to external parties	30,855	47,891
	36,926	67,708
Accrued liabilities	41,199	13,945
Total	\$78,125	\$81,653

In Canada's Economic Action Plan 2012, the Government announced savings measures to be implemented by departments over the next three fiscal years starting in 2012-2013. As a result, the Agency has recorded at March 31, 2012 an obligation for termination benefits for an amount of \$22,692,277 as part of accrued liabilities to reflect the estimated workforce adjustment costs.

6. Employee Benefits

(a) Pension benefits

The Agency's employees participate in the Public Service Pension Plan (the "Plan"), a multi-employer plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and are indexed to inflation.

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

Both the employees and the Agency contribute to the cost of the Plan. In 2011-2012, the Agency contributed \$61,137,000 (2011 - \$59,151,000), which represents approximately 1.8 times (2011 – 1.9 times) the contributions by employees.

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

The Agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded and thus have no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future authorities. Information about the severance benefits, measured for March 31, is as follows:

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012.

Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

(In thousands of dollars)	2012	2011
Accrued benefit obligation, beginning of year	\$106,036	\$97,591
Transferred to SSC, effective November 15, 2011 (Note 12)	(931)	-
Subtotal	105,105	97,591
Expense for the year	28,117	16,178
Benefits paid during the year	(11,449)	(7,733)
Accrued benefit obligation, end of year	\$121,773	\$106,036

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

7. Accounts Receivable and Advances

The following table presents details of accounts receivable and advances:

(In thousands of dollars)	2012	2011 Restated (Note 2)
Receivables from other government departments (OGD)	\$2,385	\$3,394
Receivables from external parties	6,038	5,887
Employee advances	82	78
	8,505	9,359
Less:		
Allowance for doubtful accounts on receivables from external parties	(443)	(432)
Accounts receivable	8,062	8,927
Accounts receivable and advances held on behalf of Government	(981)	(846)
Net accounts receivable	\$7,081	\$8,081

Notes to the Financial Statements

8. Tangible Capital Assets
(In thousands of dollars)

Amortization expense for the year ended March 31, 2012 is \$37,640,000 (2011 - \$31,550,000).

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

9. Contingent Liabilities

Claims relating to both legal and employee grievances have been made against the Agency in the normal course of operations. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimate of liability is accrued and an expense recorded in the financial statements.

Amounts have been accrued for contingent liabilities as at March 31, 2012 pertaining to legal claims. The amount of the contingent liabilities for legal claims recognized is based on management's best estimate. Other legal claims against the Agency and other defendants include a class action suit related to bovine spongiform encephalopathy (BSE) for which amounts and likelihood of liability are not determinable.

Claims and litigations for which the outcome is not determinable and an amount of claim can be made by management amount to approximately \$84,852,000 (\$199,102,000 in 2010-2011) at March 31, 2012.

No amounts have been accrued pertaining to employee grievances as at March 31, 2012.

10. Contractual Obligations

The nature of the Agency's activities can result in some large multi-year contracts and agreements whereby the Agency will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(In thousands of dollars)	2013	2014	2015	2016	2017 and thereafter	Total
Operating leases	\$1,924	\$4	\$-	\$-	\$-	\$1,928
Transfer payments	960	500	-	-	-	1,460
Operating contracts	14,491	1,247	555	404	324	17,021
Total	\$17,375	\$1,751	\$555	\$404	\$324	\$20,409

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

11. Related Party Transactions

The Agency is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms.

(a) Services provided without charge by other government departments

During the year, the Agency received the employer's contribution to the health and dental insurance plans, accommodation, and legal services, without charge from other government departments. These amounts have been recognized in the Agency's Statement of Operations and Agency Net Financial Position as follows:

(In thousands of dollars)	2012	2011
Employer's contribution to the health and dental insurance plans	\$43,558	\$40,884
Accommodation	30,736	22,980
Legal services	1,909	1,957
Shared Services Canada expenses	6,561	-
	\$82,764	\$65,821

(b) Other transactions with related parties

(In thousands of dollars)	2012	2011
Accounts receivable from other government departments and agencies	\$2,385	\$3,394
Accounts payable to other government departments and agencies	6,071	19,817
Expenses – Other Government departments and agencies	121,494	123,070
Revenues – Other Government departments and agencies	242	262

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

12. Transfers from/to other government departments

Effective November 15, 2011, the Agency transferred responsibility for the information technologies activities to Shared Services Canada in accordance with the Order-in-Council of November 15th 2011, including stewardship responsibility for the assets and liabilities. Accordingly, the Agency transferred the following assets and liabilities related to information technologies activities to Shared Services Canada on November 15, 2011:

(In thousands of dollars)	2012
Assets:	
Accounts receivable (Note 7)	105
Tangible capital assets (Note 8)	\$4,919
Total assets transferred	5,024
Liabilities:	
Accounts payable and accrued liabilities (Note 5)	1,075
Vacation pay	162
Employee severance benefit (Note 6(b))	931
Total liabilities transferred	2,168
Adjustment to the Agency net financial position	\$2,856

During the transition period, the Agency continued to administer the transferred activities on behalf of Shared Services Canada. The administered expenses amounted to \$6,561,000 for the year. These expenses were recorded as service provided without charge (Note 11 (a)).

For fiscal year 2010-2011, Public Works and Government Services Canada transferred capital assets to the Agency for a net book value of \$6,203,000.

13. Segmented information

Presentation by segment is based on the Agency's program activities architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 3. The following table presents the expenses incurred and revenues generated by program, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

	2012					2011 Restated (Note 2)
(in thousands of dollars)						
	Food Safety Program	Animal Health and Zoonotics Program	Plant Resources Program	International Collaboration and Technical Agreements	Internal Services	Total
Transfer Payments						
Compensation payments	\$-	\$4,806	\$183	\$-	\$-	\$4,989
Other	-	229	-	950	-	1,179
Total transfer payments	-	5,035	183	950	-	6,168
Operating Expenses						
Salaries and employee benefits	321,071	123,939	82,813	36,071	105,939	669,833
Professional and special services	22,095	9,655	4,585	503	28,068	64,906
Amortization	17,233	7,327	4,426	1,852	6,802	37,640
Accommodation	16,828	6,495	4,411	1,912	5,354	35,000
Travel and relocation	9,400	3,782	2,490	1,049	1,931	18,652
Utilities, materials and supplies	7,896	5,044	2,932	363	2,185	18,420
Repairs	2,445	6,924	777	110	1,851	12,107
Furniture and equipment	2,994	1,752	321	24	3,631	8,722
Communications	1,426	593	321	85	6,952	9,377
Equipment rentals	467	230	426	19	696	1,838
Information	382	115	249	1	682	1,429
Miscellaneous	214	74	46	20	(31)	323
Loss on disposal of assets	52	22	13	6	20	113
Expenses incurred on behalf of Government	-	-	-	-	(3)	(3)
Total operating expenses	402,503	165,952	103,810	42,015	164,077	878,357
Total expenses	402,503	170,987	103,993	42,965	164,077	884,525
Revenues						
Inspection fees	28,910	1,173	4,762	8,243	-	43,088
Registrations, permits, certificates	2,602	869	794	4,213	-	8,478
Miscellaneous fees and services	198	1,340	1,836	267	318	3,959
Establishment license fees	1,874	-	14	-	-	1,888
Administrative monetary penalties	-	-	-	-	837	837
Grading	208	-	-	3	-	211
Interest	-	-	-	-	44	44
Revenues earned on behalf of Government	-	-	-	-	(945)	(945)
Total revenues	33,792	3,382	7,406	12,726	254	57,560
Net cost of operations	\$368,711	\$167,605	\$96,587	\$30,239	\$163,823	\$826,965
						\$782,999

CANADIAN FOOD INSPECTION AGENCY

Notes to the Financial Statements

Year ended March 31, 2012

14. Subsequent events

Subsequent to year end Infectious Salmon Anaemia (ISA) outbreaks in Nova Scotia, Newfoundland & Labrador and British Columbia were identified.

The Nova Scotia outbreak resulted in product compensation payments of \$12.3 million in total. Of this amount, \$2.9 million has been recorded in these financial statements as a liability since some salmons were declared infected prior to year end. The remainder of the population was declared infected after March 31, 2012.

In Newfoundland & Labrador, no compensation payment has been issued to date. If all eligibility criteria are met, compensation is expected to be in the same order of magnitude as that of Nova Scotia.

The situation in British Columbia is still evolving and the Agency continues to monitor it.

15. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

Summary of the assessment of effectiveness of the systems of internal control over financial reporting and the action plan of the Canadian Food Inspection Agency for fiscal year 2011-12 (unaudited)

Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting

NOTE TO THE READER

With the new Treasury Board [*Policy on Internal Control*](#), effective April 1, 2009, departments and agencies are now required to demonstrate the measures they are taking to maintain effective systems of internal control over financial reporting (ICFR).

As part of this policy, departments and agencies are expected to conduct annual assessments of their system of ICFR, establish action plan(s) to address any necessary adjustments, and to attach to their *Statements of Management Responsibility* a summary of their assessment results and action plan.

Effective systems of ICFR aim to achieve reliable financial statements and to provide assurance that:

- Transactions are appropriately authorized;
- Financial records are properly maintained;
- Assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement; and
- Applicable laws, regulations and policies are followed.

It is important to note that the system of ICFR is not designed to eliminate all risks, rather to mitigate risk to a reasonable level with controls that are balanced with and proportionate to the risks they aim to mitigate.

The maintenance of an effective system of ICFR is an ongoing process designed to identify, assess and adjust as required, key risks and associated internal controls, as well as to monitor its performance in support of continuous improvement. As a result, the scope, pace and status of those departmental assessments of the effectiveness of their system of ICFR will vary from one organization to the other based on risks and taking into account their unique circumstances.

1. Introduction

This document is attached to the Canadian Food Inspection Agency's (CFIA) *Statement of Management Responsibility Including Internal Control over Financial Reporting* for the fiscal year 2011-12. As required by the new Treasury Board *Policy on Internal Control*, effective April 1, 2009, this document provides summary information on the measures taken by the CFIA to maintain an effective system of internal control over financial reporting (ICFR). In particular, it provides summary information on the assessments conducted by CFIA as at March 31, 2012, including progress, results and related action plans along with some financial highlights pertinent to understanding the control environment unique to the agency. This is the second annex produced by the CFIA.

1.1 Authority mandate and program activities

Detailed information on the CFIA's authority, mandate and program activities can be found in the *Departmental Performance Report* and *Report on Plans and Priorities*.

1.2 Financial highlights

Financial Statements (audited by the Office of the Auditor General of Canada) of the CFIA for fiscal year 2011-12 can be found in the *Departmental Performance Report*.

- Total expenses were \$885M, 76% of which is salaries and employee benefits.
- Total revenues were \$58M, 75% of which comes from inspection fees.
- Total assets and net liabilities were \$260M and \$234M respectively. Tangible capital assets comprise 79% of total assets. Employee severance benefits comprise 52% of total net liabilities, followed by accounts payable and accrued liabilities of 33%.
- The CFIA has a strong regional presence. There are decentralized finance functions in area offices that initiate and approve a significant portion of operating expenses. In order to maximize operational efficiency, all accounts payable and accounts receivable transactions are processed centrally in the service centres located in Guelph, Montreal and Moncton.
- The CFIA utilizes an integrated financial system (SAP). This system interfaces with other human resources and operating systems to support CFIA's management of its resources.

1.3 Audited financial statements

The CFIA has always received an unqualified audit opinion from the Office of the Auditor General (OAG), the auditors of the CFIA's Financial Statements since the Agency's creation in 1997.

1.4 Service arrangements relevant to financial statements

The CFIA relies on other organizations and their internal controls for the processing of certain transactions that are recorded in its financial statements, as well as, systems development and maintenance services:

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries.
- Agriculture and Agri-Food Canada (AAFC) provides acquisition, system development and maintenance services for the information systems used in financial reporting.
- Shared Services Canada (SSC) was created on August 4, 2011 to consolidate, streamline and improve the government's information technology (IT) infrastructure services, specifically email, data centre and network services for 43 federal departments and agencies. Effective November 15, 2011, the responsibility for email, data centre and network services, including associated resources, was transferred from the Agency to SSC. The administration and delivery of these services were shared during the 2011-12 transition period while SSC was being established.

1.5 Material changes in fiscal year 2011-12

Significant changes that have occurred during fiscal year 2011-12 are as follows:

- George Da Pont was appointed President and Mary Komarynsky was appointed Executive Vice-President on July 11, 2011.
- Peter Everson was appointed Vice President of Corporate Management Branch on July 4, 2011.
- Joe Freamo was appointed Chief Audit Executive on December 19, 2011.

2. Control environment of the Agency relative to ICFR

The CFIA recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining an effective system of ICFR and are well equipped to exercise these responsibilities effectively. CFIA's focus is to ensure that risks are well managed through a responsive and risk-based control environment that enables continuous improvement and innovation.

2.1 Key positions, roles and responsibilities relative to ICFR

Below are the CFIA's key positions and committees with responsibilities for maintaining and reviewing the effectiveness of its system of ICFR.

President - CFIA's President, as Accounting Officer, assumes overall responsibility and leadership for the measures taken to maintain an effective system of internal control. In this role, the President chairs the Senior Management Committee and is supported by the Executive Vice-President.

Chief Financial Officer (CFO) - CFIA's CFO reports directly to the President and provides leadership for the coordination, coherence and focus on the design and maintenance of an effective and integrated system of ICFR, including its annual assessment.

Vice-Presidents - CFIA's Vice-Presidents in charge of program delivery are responsible for maintaining and reviewing effectiveness of their system of ICFR falling within their mandate.

Chief Audit Executive (CAE) - CFIA's CAE reports directly to the President and provides assurance through periodic risk-based internal audits which can be instrumental to the maintenance of an effective system of ICFR.

Agency Audit Committee (AAC) - The AAC is an advisory committee that provides objective views on the CFIA's risk management, control and governance frameworks. It includes three external members and was established in 2007.

2.2 Key measures taken by the organization

CFIA's control environment also includes a series of measures to enable its staff to manage risks well through raising awareness, providing appropriate knowledge and tools as well as developing skills and capacity. Key measures include:

- The establishment of the Office of Values, Integrity and Conflict Resolution;
- CFIA's Code of Conduct and CFIA's Conflict of Interest and Post-Employment Code;
- Adopting the Values and Ethics Code for the Public Sector;
- Annual performance agreements with senior managers clearly set out financial management responsibilities;
- Training program and communications in core areas of financial management;
- Agency policies tailored to CFIA's control environment;
- Documentation of main business processes and related key risk and control points to support the management and oversight of its system of ICFR;
- Active monitoring and quality assurance plans, and quarterly reporting for financial controls; and
- Periodically updated delegation of financial signing authorities matrix.

3. Assessment of the CFIA's system of ICFR

The self-assessment is a systematic review conducted by management to provide assurance on ICFR.

3.1 Assessment elements

In support of the *Policy on Internal Control*, an effective system of internal control has the objective of providing reasonable assurance that:

- Transactions are appropriately authorized;
- Financial records are properly maintained;
- Assets are safeguarded; and
- Applicable laws, regulations and policies are followed.

Over time, this includes assessment of design and operating effectiveness of the system of ICFR leading to ensuring the on-going monitoring and continuous improvement of the CFIA's system of ICFR.

Design effectiveness means to ensure that key control points are identified, documented, in place and that they are aligned with the risks (i.e. controls are balanced with and proportionate to the risks they aim to mitigate) and that any remediation is addressed. This includes the mapping of key processes and IT systems to the main accounts as applicable.

Operating effectiveness means that the application of key controls has been tested over a defined period and that any required remediation is addressed.

3.2 Assessment baseline

To determine the scope of the assessment, a scoping and planning exercise was undertaken to identify key business processes, entity level control areas and general computer control areas. During planning and scoping, both quantitative and qualitative factors were considered. These included, but were not limited to: materiality, transactions requiring significant judgment or estimates (e.g. contingent liabilities), complexity of operations, susceptibility to fraud, feedback or recommendations concerning the financial statements or related matters from the Office of the Comptroller General (OCG), and previous audit findings whether from the Internal Audit Directorate (IAD) or from the OAG.

Business processes are defined as the specific processes supporting the treatment of financial transactions.

Entity level controls are defined as the overarching controls of the organization that set the “tone from the top.”

General computer controls are defined as controls over the core financial systems and IT infrastructure used across the organization and which support financial transactions. The CFIA is responsible for assessing effectiveness of all the key IT general controls for systems that it fully manages. The service providers in the other government departments (OGD) are responsible for the internal control self-assessment on the systems that they maintain for the CFIA.

These control areas are the baseline by which the CFIA developed its initial three-year self-assessment plan. This three-year plan will be reviewed and updated on an annual basis to reflect changes in the control environment.

CFIA has completed two years of self-assessment activities which include the majority of areas identified in the three-year plan. The third year of the self-assessment will include completion of 2012-13 self-assessment activities identified in the three-year plan as well as preparation for transition to on-going monitoring commencing in 2013-14. At the end of fiscal year 2012-13, a risk-based multi-year monitoring plan will be in place to enable continuous improvement of the CFIA's system of ICFR.

3.3 Assessment scope during fiscal year 2011-12

During fiscal year 2011-12, the CFIA has taken measures to assess its system of ICFR in the following areas:

Business Processes

- Revenue
- Pay
- Statutory Compensation Payments
- Financial Close and Reporting
- Operating and Maintenance Expenses

Entity Level Controls

- Governance
- Risk Management

General Computer Controls

- SAP / Enterprise
- Peoplesoft
- Electronic Invoicing
- CFIA IT Access Control and Change Management

4. Assessment results

The following summarizes key assessment results from the design and operating effectiveness testing completed by the CFIA during fiscal year 2011-12.

4.1 Design effectiveness of key controls

When assessing design effectiveness, the CFIA updated process documentation and validated key processes with stakeholders. Design effectiveness testing also validated the appropriate alignment of each key control with risks. During fiscal year 2011-12, the CFIA identified the following improvement opportunities in the design effectiveness of its controls:

Pay

- Strengthen the controls of pay transactions.

Revenue

- Enhance the information captured in Quality Management System for revenue monitoring purposes; and
- Improve the consistency of invoicing processes across the regional offices.

4.2 Operating effectiveness of key controls

When assessing the operating effectiveness of key controls, the CFIA considered the results of the financial statement audits by the OAG, the recent internal audit reports, and the sample testing performed by the self-assessment team. During fiscal year 2011-12, the CFIA identified the following improvement opportunities in the operating effectiveness of its controls:

Revenue

- Clarify the roles and responsibilities for the preparation and reconciliation of deposits.

5. Action plan

The following summarizes the actions taken during fiscal year 2011-12 as well as significant elements of work that are planned to be completed in subsequent years.

5.1 Progress during fiscal year 2011-12

During fiscal year 2011-12, the CFIA has made significant progress in assessing and improving its key controls within the system of ICFR. Progress made by the CFIA during 2011-12 is summarized below:

Business Processes

- Completed the documentation, design effectiveness testing and operating effectiveness testing for: Revenue, Pay, Statutory Compensation Payments and Financial Close and Reporting.
- Completed on-going operating effectiveness testing for: Operating and Maintenance Expenses.
- Developed management response and action plan for improvement opportunities identified in fiscal year 2011-12.

Entity Level Controls

- Completed the documentation, design effectiveness and operating effectiveness testing for: Governance and Risk Management.

General Computer Controls

- Completed the documentation for: SAP / Enterprise, Peoplesoft, Electronic Invoicing and the CFIA IT Access Control and Change Management.

Follow-up on improvement opportunities identified in fiscal year 2010-11

The CFIA has completed work to improve its controls in the following areas:

- An updated and widely communicated Commitment Policy which clearly defines the requirements of expenditure initiation;
- Additional and updated training provided regarding the *Financial Administration Act* (FAA) requirements;

- Changes to specimen signature record (SSR) templates to ensure period acknowledgement of manager's responsibility under the CFIA Code of Conduct and the *FAA*. All revised SSRs have been reviewed and re-signed by managers;
- Increased communication among financial staff to improve information sharing;
- Improved messaging around the importance of revenue management to frontline staff and managers; and
- Inclusion of revenue monitoring in the Quality Management System to ensure the quality of invoicing process.

The CFIA has substantially advanced work to improve its controls in the following areas:

- Revision of Work Shift Agreements which more clearly identify the types of services provided by and invoiced by the CFIA.

5.2 Action plan for the next fiscal year and subsequent years

Building on progress to date, the CFIA is positioned to complete its initial three-year self-assessment plan in 2012-13 and commence on-going monitoring in 2013-14.

By the end of fiscal year 2012-13, the CFIA plans to:

- Complete the documentation, design effectiveness and operating effectiveness testing for: Capital Assets and Financial Management.
- Complete the design effectiveness and operating effectiveness testing for: SAP / Enterprise, PeopleSoft, Electronic Invoicing, and CFIA IT Access Control and Change Management.
- Complete on-going operating effectiveness testing for: Revenue, Pay and Operating and Maintenance Expenses.
- Continue to follow-up on any outstanding improvement opportunities identified in the previous years.
- Develop a multi-year monitoring plan to identify the areas for continued or periodic observance, update and testing on a defined rotational basis consistent with the level of risk.

For fiscal year 2013-14 and thereafter, the CFIA plans to:

- Conduct self-assessment activities as per the multi-year monitoring plan; and
- Continue to follow-up on any outstanding improvement opportunities identified in the previous years.

3.2 List of Supplementary Information Tables

2011–12 User Fee Reporting – *User Fees Act*

Table A: User Fee

Table B: External Fee

Details on Transfer Payment Programs (TPPs)

Green Procurement

Horizontal Initiatives

Table A: Bovine Spongiform Encephalopathy

Table B: National Aquatic Animal Health Program

Table C: Invasive Alien Species

Table D: Listeria

Table E: Plum Pox

Table F: Food Safety Modernization

Internal Audits and Evaluations

Table A: Audits

Table B: Evaluations

Response to Parliamentary Committees and External Audits

Sources of Respendable and Non-Respendable Revenue

Sources of Respendable Revenue

Sources of Non-Respendable Revenue

Status Report on Projects Operating with Specific Treasury Board Approval

Section III information tables listed in the 2011–12 Departmental Performance Report can be found on the Canadian Food Inspection Agency's Website at <http://inspection.gc.ca/about-the-cfia/accountability/reports-to-parliament/2011-2012-dpr/eng/1348777953917/1348778053447?3>

Section IV: Other Items of Interest

4.1 Performance Indicators by Operational Priority

4.2 Further Information on the Assessment of Compliance

4.3 Organizational Contact Information

Section IV information listed in the 2011–12 Departmental Performance Report can be found on the Canadian Food Inspection Agency's Website at <http://inspection.gc.ca/about-the-cfia/accountability/reports-to-parliament/2011-2012-dpr/eng/1348777953917/1348778053447?4>