

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

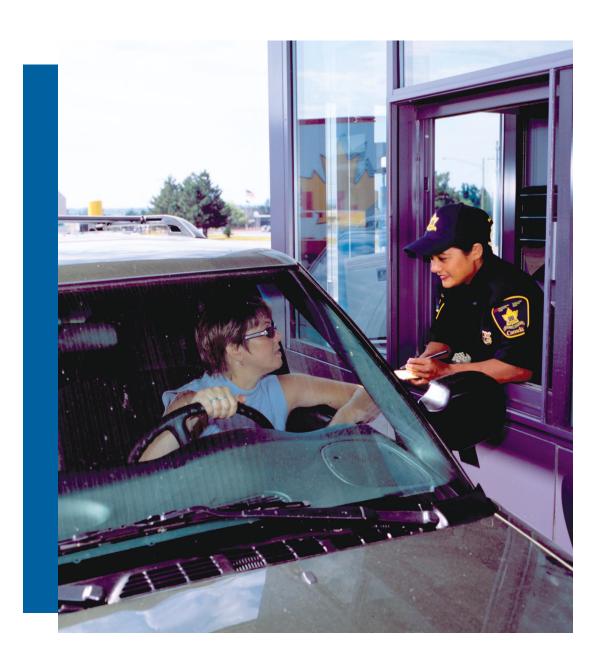
**Account** *ability* comprises three volumes. The *CCRA Performance Report* provides an agency-wide overview of our program delivery results. The *Annex: Supplementary Performance Information by Business Line* provides the details on our performance in each of the CCRA's five main business lines. The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



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## Introduction

Canada Customs and Revenue Agency is proud to publish **Account***ability*, our first Annual Report to Parliament. **Account***ability* is a permanent record of the dollars we have spent and the results we have achieved in our first full year of operation, as these relate to our mission and strategic objectives set out in our 2000-2001 to 2002-2003 Corporate Business Plan.

This volume, *Annex: Supplementary Performance Information by Business Line* provides comprehensive and detailed information on the performance of each of the CCRA's five main business lines:

- · Tax Services
- · Benefit Programs and Other Services
- · Customs Services
- Appeals
- · Corporate Management and Direction

It is the second in a three volume series where the first volume, *CCRA Performance Report*, offers an agency-wide overview of our program delivery results. The third volume, *CCRA Financial Statements*, provides the financial figures for our operations and responsibilities in 2000-2001.

This volume provides the detailed performance information that is particularly relevant to the CCRA's diverse stakeholders and client groups. Depending on their priorities or the nature of their business, our partners and many organizations, individuals, and businesses may want to know more about specific aspects of our performance. In areas such as customs and tax services, a more detailed understanding of the performance issues and challenges that we manage—and how they link to the service improvements we pursue and the timeframes in which we plan them—helps us inform and build stronger working relationships with our stakeholders.

#### **Performance Themes**

Performance for each business line is discussed according to the key theme areas: managing the compliance continuum and innovating for the future.

Managing the compliance continuum – To deliver on our mission of promoting compliance with Canada's tax, trade, and border laws, we employ a mix of service and responsible enforcement, backed by risk management. The underlying premise is that most people and businesses are honest, and given the opportunity and the right tools, will voluntarily comply with the law. Further information on this theme is contained in Schedule A, Managing the Compliance Continuum.

Innovating for the future – Our focus for the future is to leverage the flexibilities we have as an agency to become more innovative in everything we do. This will make us more effective and efficient in promoting compliance and contributing to the social and economic well-being of Canadians. We are in the midst of a massive transformation of our core business and internal management processes to deliver modern, integrated, harmonized, and client-centred services to Canadians. As we continue innovating and modernizing our operations to achieve better results in our quest for service and management excellence, our clients' views will play an important role and will be surveyed on a regular basis. The highlights of the CCRA's Baseline Study are included in Schedule B.

These two themes, managing the compliance continuum and innovating for the future, are directly aligned with our two strategic outcomes: Canadians comply with tax, trade and border legislation; and the CCRA is a leading edge service organization. These strategic outcomes are supported by seven intermediate outcomes that have a clear impact on Canadians.

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

Each chapter of this volume provides a report card on one of our five business lines, identifying the actual results we have achieved for the relevant intermediate outcomes and the indicators we used to assess our performance. We rate each anticipated result and show whether our performance met, largely met, or fell short of the target. We also provide a separate rating of the quality of information we used as a basis for the assessment.



In addition, Schedule C: Details of Financial Performance at the Corporate and Business Line Levels, provides additional financial details as they would be shown in the Departmental Performance Report (DPR). Schedule D: Glossary provides definitions for terms found throughout the Annual Report.









### **Rating System**

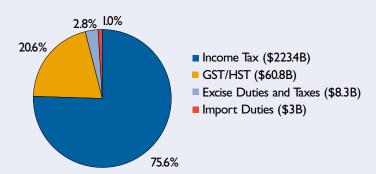
- Anticipated results met
- Rating is based on good data quality Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly met
- Rating is based on reasonable data quality Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly not met
- Rating is based on weak data quality Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods

## About Tax Services

The Tax Services business line is responsible for administering, assessing, and collecting close to \$300 billion in gross taxes and duties, including more than \$37 billion in gross taxes on behalf of the provinces. The taxes the CCRA collects fund a wide range of programs and services, contributing directly to the ability of the federal and provincial governments to achieve their social and economic policy objectives, and ultimately impacting on the well-being of all Canadians.

As Exhibit 1 illustrates, about 75.6% (or \$223.4 billion) of the gross revenues collected on behalf of the federal and provincial governments for 2000-2001 was from personal and corporate income taxes. Of that amount, 81% (or \$181 billion) came from personal income tax. GST/HST accounts for another \$60.8 billion of gross revenues; \$8.3 billion was from excise duties and taxes; and \$3 billion was from import duties. Offsetting these figures are income tax, GST/HST, excise, and customs refunds that amounted to \$65.8 billion in 2000-2001.

Exhibit 1: Percentage and Value of Gross Revenues Collected by Type (2000-2001)



Raising the national revenue is a significant undertaking. This is illustrated by the 91.8% of all Canadians 18 years of age and older, and the 1.18 million incorporated Canadian businesses who filed returns for the 1999 tax year. In addition, about 1.4 million employers are required to withhold and remit income tax they deduct from employee wages. About 2 million businesses also regularly remit GST/HST, and several thousand remit excise taxes levied on sales.

When we assess personal and corporate taxes to be paid, we also administer billions of dollars in tax expenditures. These are targeted credits or deductions that reduce the amount of tax that would otherwise be owed. Two key examples are the scientific research and experimental development program and the credit for charitable donations and gifts.

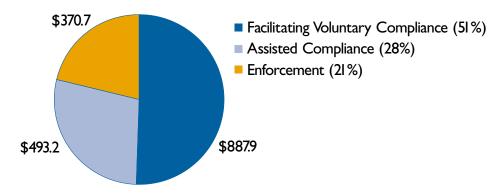
Our relationship with clients plays a crucial role in shaping public attitudes toward government and promoting confidence in Canada's tax system. To ensure that the vast majority of Canadians participate, the system needs to be fair, responsive, and reliable, and it must be seen to have a high degree of integrity. We work to provide client-focused service to facilitate participation and promote compliance. This involves making sure returns are processed accurately and on time, using an effective system of checks and balances to ensure everyone pays their fair share (no more, no less) and that the tax base is protected (non-compliance is minimized).

#### The role of Tax Services within the CCRA

Tax Services engages in a range of activities across the compliance continuum—from facilitation to enforcement—to ensure Canadians pay their fair share of taxes and protect the tax base.

As shown in Exhibit 2 below, about half of the \$1.75 billion in resources spent by this business line facilitates voluntary compliance (through various service channels, telephone assistance, publications, outreach services, processing of returns, etc.), while 28% is allocated to assisted compliance (source deductions, reviews, examinations, and audits) and 21% to enforcement operations (collection actions, investigations, and prosecutions).

Exhibit 2: Tax Services Total Resources Allocation to the Compliance Continuum for 2000-2001 (\$Million)



To determine how best to allocate resources, we use research to understand compliance behaviour and assess risk. We also work with many partners to promote practices that encourage compliance. We rely on the experience of seasoned examiners and industry experts within the CCRA and the private sector. Research and expertise help us deploy the CCRA's limited resources to improve the way we manage compliance risks.

### **Business Line Spending**

Tax Services is the CCRA's largest business line, representing 56.5% of the overall CCRA budget. Exhibits 3 and 4 provide details on business line spending and related volumes. While overall funding for tax services has increased over the years, it has not kept pace with increasing complexity and workload volumes. Most of the increased funding has been applied to non-discretionary workloads to implement the Federal Budget and initiatives approved by Parliament and provincial legislatures, invest in infrastructure, and manage workload increases. On the other hand, there has been little or no increase in the funding levels of our review and enforcement activities, which are more discretionary. This situation has been a concern for several years. Recent efforts to address this shortfall have resulted in increased funding beginning in 2001-2002. This positions us to better address the whole compliance continuum.

**Exhibit 3: Business Line Spending** 

Tax Services	1998-1999	1999-2000	Percentage Increase	2000-2001	Percentage Increase
Planned Spending <sup>1</sup> (\$000)	1,349,691	1,451,003	7.5%	1,557,029	7.3%
Allocation of Authorities <sup>2</sup> (\$000)	1,543,740	1,667,610	8%	1,784,674	7%
Actual Spending (\$000)	1,527,439	1,634,723	7%	1,751,826	7.2%
Planned FTEs	25,565	26,798	4.8%	27,569	2.9%
Total FTE Authorities	26,172	28,079	7.3%	28,724	2.3%
Actual Number of FTEs	25,831	26,379	2.1%	27,617	4.7%

<sup>&</sup>lt;sup>1</sup> Main estimates

Details on our performance against overall authorized spending for the CCRA as approved by Parliament are provided in Table 8 of Schedule C on page 2-163.

**Exhibit 4: Workload Volumes** 

Type of Workload	Volume for 1998-1999	Volume for 1999-2000	Percentage Increase	Volume for 2000-2001	Percentage Increase
Revenues Collected	\$255.8B	\$274.5B	7.3%	\$295.8B	7.8%
Total Public Enquiries Answered	28,823,000	29,348,000	1.8%	29,823,418	1.6%
T I Individual Returns	21,559,275	23,299,263	8.1%	22,838,645	-2.0%
T2 Corporate Returns	1,201,000	1,215,000	1.2%	1,283,000	5.6%
T3 Trust Returns	303,984	374,561	23.2%	483,466	29.1%
GST/HST Returns	7.9 million	8.I million	2.5%	8.I million	0%
Audits	292,341	282,187	-3.5%	288,107	2.1%
Investigations	3,099	2,650	-14.5%	2,663	0.5%

<sup>&</sup>lt;sup>2</sup> Main estimates + supplementary estimates + year-end adjustments; i.e., the full amount available to spend

### **Exhibit 5: Tax Services Performance Report Card**

			TAX SERVICES				
	Ex	pected outco	me – Canadians pay their fair share of taxes				
	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex			
	Majority of Canadians and businesses participate in the tax system	•	<ul> <li>95% of taxes collected without any direct enforcement action</li> <li>\$296 billion of gross taxes collected through 23.3 million individual and trust returns, I.4 million employers who withhold and remit source deductions, I.3 million corporate returns, about 2 million businesses for GST/HST, and businesses, travellers, and traders who remit other duties and taxes.</li> </ul>	P& 2-19 2-15			
	Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs	•	<ul> <li>Accurately incorporated major legislative changes effective for the tax-filing season, despite significant time constraints</li> <li>Information and assistance available from CCRA publications, telephone help lines and agency personnel are fair and reliable, but the accessibility and timeliness, of telephone service require further improvement.</li> <li>Individual return processing logic and specific matching programs identify significant adjustments in favour of taxpayers and correct errors</li> </ul>	2-2l 2-23 2-26			
			<ul> <li>In 2000-200I, an estimated \$185 million in interest and penalties was either cancelled or waived in tax services offices. While we do not have a systematic review in place at the national level to monitor and confirm consistency of decisions, we do provide officers with tools and guidelines to help ensure consistency, supported by Fairness Committees at most local tax services offices.</li> </ul>	2-26			
tinuum	Processing of returns is accurate, timely, and efficient	•	<ul> <li>98% of individual tax returns filed on time were processed efficiently</li> <li>Timely processing of corporate returns has improved, but is still below targeted levels</li> <li>Accuracy rates continue to be high in spite of increased complexity</li> </ul>	2-30 2-30 2-30			
Managing the Compliance Continuum	Level of tax debt is within targeted level	•	<ul> <li>We have made some progress in working older accounts and in reducing accounts receivable as a percentage of gross revenue, but further efforts are needed to reach levels achieved in prior years (close to 4%). This includes reviewing and assessing the existing target of 4% that dates back to 1995 for continued relevance and suitability</li> </ul>	2-31			
Con	Expected outcome – The tax base is protected						
the	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex			
Managin	Compliance behaviour is understood and areas of non-compliance are identified	•	Important strides made in measuring and understanding non-compliance including through:  Effective use of audit specialists to identify key issues of corporate non-compliance  CORE audit program introduced to develop statistically valid estimates of non-compliance rates  Third-party information matching and processing review programs provide estimates of non-compliance rates for a variety of income sources, credits, and deductions for individual returns  Strategic partnerships — 14 economic sectors dealing with industry associations	2-36 2-35 2-37			
	Allocation of enforcement resources is guided by risk	•	Matching and validation programs are generally effective in targeting higher-risk tax returns for verification and enforcement. However, more progress needed to ensure effective allocation of compliance resources across all program areas.	2-38			
	Actively seek legislative changes as required to enhance simplification, minimize misreporting and unintentional non-compliance		Demonstrated diligence in identifying legislative amendments and making recommendations to seek changes to tax legislation     Partnerships and alliances with other organizations have enhanced compliance efforts	2-4l 2-4l			
	The right programs are used and are effectively delivered	•	Minister's Action Plan for Scientific Research and Experimental Development implemented Continued growth in new Audit Protocol agreements for large corporations Improvements in detection and investigation leading to increased prosecution of fraud Fiscal impact within forecasted range (\$6 billion)	2-45 2-42 2-44 2-44			
	Sufficient resources are available to invest in compliance programs		Planned audit coverage rates have declined substantially in response to resource pressures	2-46			
	Knowledgeable and skilled workforce is in the right place at the right time		Continuing challenge being addressed through aggressive strategies for needed improvement including additional resource funding	2-49			
Innovating for the Future Year I Results	Core business is under transformation to better meet our mission	•	Advances achieved according to our 2000-2001 to 2002-2003 Corporate Business     Plan	2-50			



## Evaluating Our Overall Performance

In the performance report card we rate the performance of Tax Services for 2000-2001 against eleven anticipated results that support two expected outcomes:

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

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

The report card also summarizes the actual results achieved, upon which we base our evaluation.

Ratings are provided for each anticipated result and show whether our performance fully met, largely met, or fell short of the target. A separate rating is provided on the quality of the information upon which the assessment is based.

On balance, we continue to meet our expected outcomes. We have achieved or mostly achieved anticipated results in 10 of 11 areas. However, in some instances, our performance on a year-over-year basis has declined, partly as a result of our funding constraints.

We have a significant performance gap in some areas. Coverage levels need to be increased. We must also strengthen our capacity to allocate compliance resources so we can effectively manage compliance risks across programs in a more integrated way. We have made some progress in working older accounts and in reducing accounts receivable as a percentage of gross revenue, but further efforts are needed to reach levels achieved in prior years (close to 4%). Finally, our ability to respond to telephone enquiries has not kept pace with the growth in workload volume. We need to improve our performance against existing public service standards, and we need to expand the scope of those standards to include telephone service as well as to address accuracy and accessibility.

With the help of increased funding from Parliament, we were able to make improving performance in all these areas a priority. In addition, we are establishing clear targets for all tax service program areas that go beyond year-over-year comparisons. Where appropriate, we will entrench these targets in our performance measurement framework.

For the second CCRA performance theme—innovating for the future—we are working to transform our business to meet the objectives for improved service and efficiency in our *Corporate Business Plan*. We have made progress through advances in the use of electronic service delivery and by contributing to the development of an agency-wide service strategy.

This overall performance rating is based on reasonable to good data quality, encompassing information gathered from internal information systems, external sources, random and targeted samples, and management estimates.

## Discussing Our Performance

In discussing how our performance relates to our two expected outcomes, we focus on income tax since this is the largest revenue source among the taxes we administer. Where information is available, we present performance results for our other major taxes, highlighting areas of notable success and areas where significant improvements are needed.









#### **Conclusion**

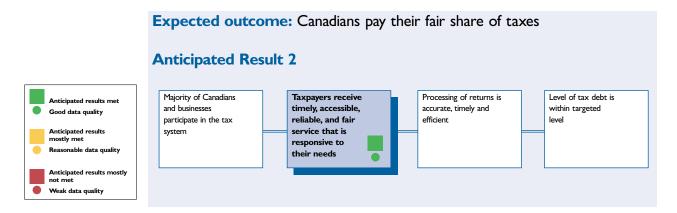
While our overall goal is to have 100% participation by those who are required to file and pay taxes, there will always be some unintended or deliberate non-compliance. Our indicators suggest that the vast majority of Canadians do participate in the tax system.

#### **Highlights**

Of the total federal revenues we collect, roughly 95% is remitted without the CCRA taking any direct enforcement action. Canadians exhibit a high level of filing and remittance compliance. While many Canadians have no legal obligation to file an income tax return because their income is below the filing threshold, some of these individuals do file to claim social benefits, such as the Canada Child Tax Benefit and the GST/HST credit. The most recent statistics available show that 91.8% of all Canadians 18 years of age and older filed an individual income tax return for the 1999 tax year—a high level of compliance when one considers that not everyone is required to file. Remittance compliance by individual filers was also high in this year, with 94.4% of all taxable filers paying their reported taxes on time.

Compliance was also reasonably high among corporations in the 1999 tax year. Of the estimated 1.38 million incorporated Canadian businesses in that year, 1.18 million (about 85.5%) filed a corporate income tax return. About 494,000 of the filed returns were taxable, and most taxable corporations (approximately 92%) paid their reported taxes on time. Although we are not yet able to precisely measure the degree of filing and remittance compliance for GST/HST, about 2 million businesses regularly remit over \$60 billion per year in GST/HST payments. Results of our sample tests of travellers and commercial goods entering the country by highway or air, while statistically weak, suggest high rates of reporting compliance with customs laws, laying the foundation for the proper remittance of duties and taxes.

With regard to unintentional or deliberate non-compliance, while our risk assessment systems do not cover all compliance issues, our judgment based on available evidence and estimates is that non-compliance is generally being contained at relatively low levels. (See discussion supporting our second expected outcome—the tax base is protected on pages 2-34 to 2-49.)



#### Introduction

A key priority for the CCRA is to keep pace with the government-wide objectives for client-centred service delivery. About 31% of our business line's resources (about \$540 million in 2000-2001) is directed towards client service. Exhibit 6 depicts our key delivery modes: telephone services, forms and publications, electronic services, and walk-in and outreach services.

**Exhibit 6: Key Delivery Modes** 

Type of Service	1998-1999	1999-2000	2000-2001
Number of telephone enquiries	24.7 million	25.6 million	26.7 million
Number of publications	more than 900	more than 900	more than 900
Hits on the CCRA Web site per month during peak tax season	n/a	I.2 million 3	
Walk-in service	3.2 million	2.7 million	2.4 million
Outreach services	360 seminars for small business	300 seminars for small business	800 seminars for small business
	Distribution of teacher manuals to 3,100 teach- ers and workbooks to 77,000 students on Teaching Taxes	Distribution of teacher manuals to 3,000 teach- ers and workbooks to 79,000 students on Teaching Taxes	Distribution of teacher manuals to 4,300 teach- ers and workbooks to 85,000 students on Teaching Taxes
Returns completed by volunteers	l4,800 volunteers	15,000 volunteers	16,000 volunteers
	387,000 returns	414,000 returns.	471,000 returns

#### Conclusion against anticipated result

We believe that, on balance, taxpayers received timely, accessible, reliable, and fair services. However, in several cases we did not meet a number of our existing service standards. We will establish additional targets and performance benchmarks within some service lines, including setting public service standards for telephone accessibility. In addition, we will expand our monitoring of cancellation of penalties and interest under the fairness provisions to include waivers on a more systematic basis.

#### **Highlights**

**Timely response to legislative changes** – A fundamental aspect of client service is to inform taxpayers in an effective and timely way of the implications of changes to the law. The 2000 income tax filing season for individuals posed one of the greatest implementation challenges for the CCRA in 25 years—the introduction of tax on income (TONI) and measures in the October 2000 Economic Statement.

The TONI changes, which were introduced by British Columbia, Manitoba, New Brunswick, Nova Scotia, and Ontario for the 2000 tax year, give these provinces the flexibility to define their own tax rate schedules, which are based on taxable income rather than a percentage of the basic federal tax amount. (TONI will be introduced for the remaining provinces, except Quebec, and the territories during the 2001 tax year.) TONI changes were implemented on time with no significant problems. Key challenges to overcome included:

- processing more than 36 million additional data items;
- developing a TONI-compatible processing system while maintaining the existing "tax-on-tax" system to assess current- and previous-year returns; and
- significant changes to manuals, guides, forms, schedules, tax tables, and payroll
  deduction formulas.

Informing employers about TONI, and training staff so they could respond to telephone enquiries, was also a major undertaking.



A number of significant tax changes, particularly in capital gains, were also included in the October 2000 Economic Statement. Several changes had to be applied immediately or retroactively, which meant implementing them was more complex. We introduced all the changes on time, and we did not encounter significant problems despite the extremely short timeframe (as little as a few months) in which we had to analyze, define, test, and program the proposed changes, update the necessary systems, communicate the changes to fieldworkers and the general public, and complete training. This work included urgently revising forms and publications to meet our target for bulk mailing in early January.

**Timeliness, accessibility, and reliability of client service** – In addition to implementing the latest legislative changes, we rely on three other key indicators to assess our performance in responding to the needs of our clients.

#### I. Overall client satisfaction

We get client feedback through surveys, focus tests, baseline studies, and stakeholder and partner advisory committees. The CCRA Baseline Study 2000 indicated that most of our clients are reasonably satisfied with the service they receive, although some feel service is either not prompt enough or that publications are not as clear and understandable as they should be. In particular:

- 90% agree that CCRA staff are courteous;
- 85% agree that the information we provide is accurate;
- 80% agree that the staff are knowledgeable and competent;
- 72% agree that the time it takes to get information or receive service is acceptable; and
- 66% agree that the CCRA tax guides and publications are clear and simple to understand.

We are assessing this information as a baseline for analyzing trends and setting potential targets to enhance service delivery.

How accurately taxpayers file returns gives us another way to assess how effectively we inform taxpayers and deliver service. The T1 Quality Evaluation Program measures this using a random sample of paper-filed individual income tax returns at the initial assessing stage (data entry, error correction, and high-risk containment). By analyzing errors that affect the amount of tax, we know that client accuracy rates have increased from 92.3% in 1999-2000 to 93.9% in 2000-2001. This is a strong and stable level of client accuracy.

We also survey client satisfaction with registering and amending employee pension plans, retirement saving plans, retirement income funds, and other similar registered plans. A November 2000 survey of registered plan consultants found they were generally satisfied with telephone services but had concerns with the turnaround time for written enquiries and initial review of amendments. We will work to improve turnaround times for written enquiries over the next year, and we will establish service standards for reviewing actuarial valuation reports on pension plan amendments.

#### II. Assessing timeliness, accessibility, and reliability against public service standards and internal targets.

The CCRA has established public service standards for a number of its Tax Services lines (see Attachment 1 on page 2-53). These standards focus primarily on timeliness, while our internal targets deal with timeliness, accessibility, and reliability. Out of the 26 public service standards for Tax Services, half are for client service delivery and the rest for processing returns and review activities. Although we did not meet all of our client service delivery standards, we met or mostly met 15 of the 25 service standards for which we have performance information (26 service standards in total), including processing of T1 individual returns, advance rulings, and client-requested adjustments, and reviewing applications to registered pension plans. Currently, the scope of our public service standards does not include all key delivery modes such as the telephone enquiries service. We will work to enhance their scope for timeliness as well as to include accuracy and reliability.

The following is our report on performance by key delivery mode against both our internal performance indicators and public service standards where they currently apply.

**Telephone enquiries** – A national 1-800 telephone system was introduced for both general and business enquiries in February 2000. This system has improved accessibility by providing the flexibility to route calls to any of our 45 tax services sites across Canada, eliminating regional and local disparities in service. We measure telephone accessibility in two separate ways: call accessibility and caller (individual people) accessibility.

Call accessibility measures the percentage of telephone calls that immediately get through either directly to an agent, or on hold waiting for an agent (in queue). Calls include each attempt that a person makes to reach us. Often, if people are unable to get through on the first try (they get a busy signal), they will continually press the redial button feature on their telephone. Each time this occurs, it is counted as a call for determining the call accessibility measure. For example, people may press the redial feature three times before they reach us. This is counted as three telephone calls.

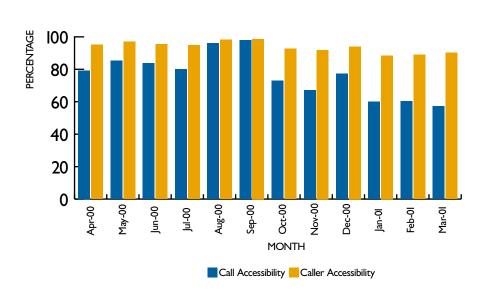
Caller accessibility measures the percentage of people (callers) who reach an agent or who are on hold waiting for an agent (in queue). Using the previous example, a caller who makes three telephone calls before getting through is counted as one caller.

During the past year, we raised our target for call accessibility from a range of 40-60% to a range of 80-90% both for our general and business phone enquiry services. We met our target for business enquiries with a call accessibility rate of 84%, but we fell slightly short of our target for general enquiries with an accessibility rate of 76%. Overall, this represents a significant improvement in call accessibility from 1999-2000, when our performance was 53% for general enquiries and 55% for business enquiries. In terms of caller accessibility, over the past two years, we have raised our target from 60% to a range of 90-95% both for our general and business phone enquiry services. We met our target for both types of services in 2000-2001, achieving caller accessibility rates of 93% and 95% respectively.

In terms of timeliness of service delivery, the target for general and business enquiries is to answer 80% of calls within two minutes once they are in a queue. Our performance was slightly below this target for general enquiries (75%) and for business enquiries (79%).

We improved performance in telephone enquiries despite the challenges we faced in integrating TONI and several provincial programs. However, telephone accessibility during peak periods continues to be a problem for individual filers (Exhibit 7). To better accommodate demand, we have extended hours of telephone service during the filing season, and we are looking at ways to more closely match traffic with available agents. We also implemented 24-hour automated telephone services, which offer timely and accurate general and account-specific information for simple enquiries. Our experience during 2000-2001 with the new 1-800 service should allow us to more accurately forecast and respond to peak service demands in 2001-2002.

**Exhibit 7: Monthly General Enquiries Accessibility** 



APRIL I, 2000, to MARCH 3I, 200I

Call Accessibility: Tracks the percentage of call attempts that reach an agent or get into a queue

Caller Accessibility: Tracks the percentage of callers that reach an agent or get into the queue



To assess the **accuracy** and **reliability** of telephone service, the CCRA uses an independent firm to monitor the quality of responses to telephone enquiries. We measure year-over-year performance of the accuracy of responses to telephone enquiries by way of comparison to prior years. A baseline index of 100 was established for each of our General Enquiries and Business Window lines, against which annual improvements can be compared. For General Enquiries, the 100 baseline figure was established in 1996-1997, the year in which a concerted effort at increasing accuracy levels commenced. For Business Window, the 100 baseline figure was established in 1997-1998, the first year in which performance measurement was conducted for that line of business. Compared to the baseline value of 100, the index for General Enquiries rose to 133.3 in 2000-2001, and the index for Business Enquiries rose to 136.7.

Forms and publications – The CCRA provides more than 900 forms and guides to individuals, businesses, and agents of the Crown. We devote a lot of effort to make our publications clear and simple. About two-thirds of respondents in the 2000 baseline client survey were satisfied with our publications. Future surveys will allow us to track our progress in this area.

Electronic assistance – An emerging trend in taxpayer service is receiving assistance electronically, including over the Internet. During the peak tax season in 2000-2001, there was an average of 3.5 million hits per month on the tax-related portion of our Web site, compared to just 1.2 million hits in the previous year. Users can download nearly all CCRA forms and publications from our site. The site also contains an on-line version of our Tax Information Phone Service (T.I.P.S.), which is accessible 24 hours a day, 7 days a week. During its three months of operation in the 2001 tax-filing season, this service received over 1 million hits. For business clients, an on-line version of our telephone business information service (BIS) is available to provide basic tax information related to operating a business.

**Walk-in service** – In 2000-2001, we provided assistance to 2.4 million taxpayers over the counter. We are currently unable to reliably measure our global performance against our service standard of a 20-minute wait for walk-in assistance (except during peak periods). However, a sample review of 10 tax services offices that have automated equipment to monitor wait times indicates that the average wait is less than 10 minutes. Client service rating cards also help us assess wait times—86% of the clients who completed them indicated that their wait was under 20 minutes.

Two other areas of high visibility for taxpayers are registered plans and registered charities.

Registered plans – The CCRA is responsible for registering and amending pension plans, retirement savings plans, and other similar registered plans. In 2000-2001, we processed 1,322 pension registration requests, 15,048 pension amendments, and 4,195 registration and amendment requests for retirement savings plans and registered retirement income funds. As shown in Attachment 1, we exceeded our standard for reviews of registered pension plans within 180 days 80% of the time, with an actual performance of 89%. However, we did not meet the established 80% target for processing registered savings plans and retirement income fund applications within 60 days; our actual performance was 68% and 78% respectively. For deferred income plans, we did not meet our standard of responding to written enquiries within 60 days (target is 80%, actual performance was 68%). We will work to improve performance in these areas, as well as expand public service standards to include reviews of actuarial valuation reports for pension plan amendments.

**Registration of charitable organizations** – The CCRA also administers a national program to register charities for the purpose of the *Income Tax Act*, and in 2000-2001 there were approximately 78,000 registered charities. While we do not have public service standards, we try to meet our target of 90% for responding to telephone enquiries from charities and the public within two minutes. Last year, we achieved this target 86% of the time. In terms of processing applications on time and responding to enquiries, we have improved our performance significantly since 1998-1999. Straightforward applications are processed within three weeks, down from three months in 1998-1999. More complex applications are now being processed in 28 weeks, down from 8 months. A key priority in 2000-2001 was to reduce the backlog of applications for charitable registration. During 2000-2001, the inventory was reduced by 14%.

#### III. Measuring the fairness of key programs

We measure fairness in three areas: beneficial adjustments, cancellation and waiving of interest and penalties, and rulings and interpretations.

Beneficial adjustments – Fair service includes correcting errors when taxpayers have paid more than their fair share. We use computer-based error-checking routines at the return-processing stage to identify and correct returns before we assess them. Although statistics on the frequency and size of adjustments made through this process are not available, numerous changes are made on behalf of taxpayers who have reported too much income or who have not used appropriate deductions. At a later stage, we compare reported amounts on specific deductions against third-party information reports under our T1 Matching Program. During 2000-2001, 258,000 individuals received \$56.2 million in beneficial adjustments. This represents a substantial increase from the year before, when 201,000 clients received \$38.4 million through the program.

Cancellation and waivers of penalties and interest – To ensure fairness, the decisions we make on cancelling and waiving penalties and interest as allowed under the *Income Tax Act* must be transparent and consistently applied. Fairness provisions allow us to help clients resolve problems that arise through no fault of their own and to use a common-sense approach in dealing with clients who, because of personal misfortune or circumstances beyond their control, are unable to meet our guidelines or comply with the legislation we administer. The following table shows the total estimated amount waived and the total actual amount cancelled last year as well as the number of accounts affected.

Amounts waived or cancelled last year (CCRA-wide)		Number of clients
Estimated amounts waived	\$I40 million	I, 905,653
Actual amounts cancelled	\$70 million	36,040

**Note:** Of the estimated \$210 million either waived or cancelled CCRA-wide, an estimated \$185 million was attributable to the Tax Services business line, with much of the remainder to the Appeals business line.



In 2000-2001, approximately 60,000 client requests were received for cancelling interest and penalties on outstanding taxes, 36,040 requests were approved, and a further 11,000 requests were received for waiving interest and penalties prior to their being assessed. In total, including automated waivers that apply in limited circumstances, an estimated \$185 million was either cancelled or waived at tax services offices. We do not have in place a systematic review at the national level to monitor and confirm consistency of decisions; however, to help ensure consistency, we provide all our officers with tools and guidelines that provide parameters for decision-making, supported by Fairness Committees in place at most local tax services offices. If a client disagrees with a decision, a second, independent review of their request will be conducted. The Appeals business line will implement an overall quality monitoring program for all business lines in 2001-2002. As part of that initiative, Tax Services will be looking at ways to institute a systematic monitoring process to confirm consistency of decisions taken at local offices for cancelling and waiving interest and penalties.

Rulings and interpretations – Another way we provide fair, responsible, and reliable service that responds to client needs is by offering advance income tax and GST/HST rulings and interpretations. This allows clients to know ahead of time the impact of certain measures on their income tax or GST/HST status. In 2000-2001 we provided 2,750 income tax interpretations and responded to 22,450 telephone enquiries, exceeding our targets in both of these areas. We provided 303 income tax rulings within an average turnaround time of less than 60 days. For GST/HST rulings, we responded to 139,000 telephone enquiries. We responded to 53% of written requests for interpretations and rulings within a 45-day turnaround time with a 92% accuracy rate, and we have recently introduced a new service standard in this area.





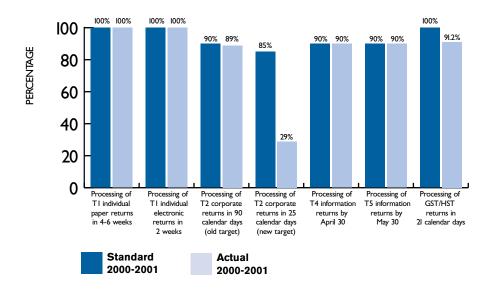
#### Conclusion

We believe our processing of returns for individual taxpayers is accurate, efficient, and timely. For corporate returns, our year-over-year performance has improved since we introduced a new processing system, but we are still working to achieve our new target for timeliness.

#### **Highlights**

Taxpayers are entitled to expect accurate, efficient, and timely processing of their returns. We met our standards for timeliness for all major tax returns, except for corporate income tax and GST/HST returns. We have expanded electronic filing options for our individual and corporate clients, generating opportunities to reduce processing costs and improve accuracy.

Exhibit 8: Timeliness of Returns Processing Against Standard Standards vs. Actual for 2000-2001



Individual returns – To better serve Canadian taxpayers, we have expanded filing options. Less than a decade ago all individual taxpayers had to file paper returns. Today, nearly all Canadians have the option of filing a return using one of three different electronic methods: through an electronic service provider (EFILE); by telephone (TELEFILE); or over the Internet (NETFILE). While overall funding for Tax Services has increased in 2000-2001 to \$1.75 billion, a substantial part of the increased funding (\$150 million in the last four years alone) has been devoted to electronic service delivery and redesigning our corporate tax system to accommodate electronic options. Electronic filing is increasingly popular—in 2000-2001, 31.5% of all T1 returns were filed electronically, compared to 25.4% in 1998-1999. Electronic methods result in faster, more efficient, and more accurate processing of returns. The average processing time for electronic returns was two weeks in 2000-2001, which met our service standard. In contrast, the average paper return took four weeks to process, which met our four-to-six week service standard for paper returns and was a week faster than our performance the year before.

In addition to faster service, other benefits of electronic filing are reduced processing costs and improved reporting and processing accuracy. In particular:

- up-front validity checks alert electronic filers to possible errors;
- electronic returns are already computerized, eliminating the potential for keying errors at the processing stage and reducing processing costs; and
- miles of shelf space are saved each year by returns that are filed electronically, reducing the real property, maintenance, and personnel costs associated with transporting, storing, and accessing millions of paper returns.

NETFILE was offered to all Canadians for the first time in the 2000 tax year. Over 894,000 taxpayers chose to use NETFILE during 2000-2001, a figure that exceeded our participation target by one-third. The sentiments expressed in our user survey were nearly unanimous—almost 100% of respondents indicated that they would use the service again. NETFILE clients suggested several enhancements, which we will evaluate for the next processing year. Given the program take-up during 2000-2001, we will also assess how to improve our participation target for the coming tax years.

We also recently piloted NETFILE for Tax Professionals for the 2001 filing season. However, system limitations have resulted in a much lower take-up rate for this program than we initially anticipated. Only about 20,000 returns were filed using this method in 2000-2001. We are developing business requirements to introduce features that are more in line with tax professionals' preferences.

EFILE participation has continued to grow over time, but TELEFILE participation slipped by about 2.6% between 1999-2000 and 2000-2001. Among the factors that influenced the change were: some former TELEFILE users switched to NETFILE when it became available; TELEFILE telephone accessibility for the Help Line was not within expectations; and a legislative change (quarterly retroactive lump-sum payments) precluded some of our regular clients from using the service.

We work to process returns as expeditiously as possible while maintaining a low rate of error. For 2000-2001, we achieved our internal goal of processing 98% of all filed-on-time T1 returns within 28 days. Despite its increasing complexity, the processing error rate for the T1 return remains relatively low. The T1 Quality Evaluation Program measures errors at the initial assessing stage for a random sample of processed paper returns. About 3.1% had a processing error that affected the amount of tax in 2000-2001, which is a small and statistically insignificant increase from the previous year.

**Corporate returns** – Our new system for processing corporate income tax returns (CORTAX) was implemented in October 2000. As a result of unanticipated transition problems, we experienced substantial backlogs in processing that did not allow us to meet our new standard of processing 85% of all corporate income tax returns and taxpayer-requested adjustments within 25 days and processing the remaining 15% within 50 days. In fact, we only were able to process 29% of returns within 25 days over the October 2000 to March 2001 period. The following exhibit shows our performance figures.

#### Processing of Corporate Income Tax Returns Against Standards

We are making progress on resolving the backlog problem, and we are making systemic changes that will further improve processing efficiency.

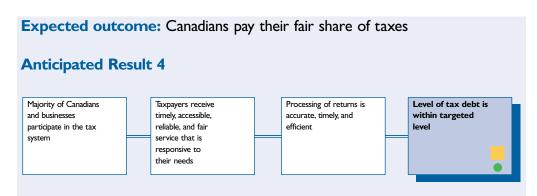
Previous	1998-1999	1999-2000	2000-2001	New Standard
Standard	Performance	Performance	Performance	
90% of returns in 90 days	80% of returns in 90 days	50% of returns in 90 days	89% of returns in 90 days	85% of returns in 25 days (remaining 15% in 50 days)

CORTAX has significantly improved data availability for use by Statistics Canada, the Department of Finance, and CCRA programs. It includes an electronic filing option (Corporate EFILE) that was developed in partnership with Alberta and Ontario to support the filing of returns for our common clients.

For GST/HST returns, we fell short of our target of processing 100% of returns within 21 days. Instead, 91.2% were completed, down slightly from 93.9% the year before. We are working to improve our performance in this area.







#### Conclusion

We have made some progress in working older accounts and in reducing accounts receivable as a percentage of gross revenues, but further efforts are needed to reach lower levels achieved in prior years (close to 4%).

#### **Highlights**

Approximately 17% of the Tax Services budget (\$289 million) is devoted to revenue collection.

The primary role of our accounts receivable program is to ensure that taxes that have been assessed and that are not in dispute are actually paid. In 2000-2001, our total inventory of accounts receivable amounted to \$13.91 billion or 4.69% of gross revenues collected, compared to \$12.97 billion or 4.72% the year before. Reducing accounts receivable to the lower levels achieved in prior years (close to 4% of gross revenues) has been a difficult challenge for the CCRA. We will review and assess the existing target of 4% that dates back to 1995 for continued relevance and suitability. Where appropriate, other performance indicators will be developed to more clearly assess accounts receivable results.

In 2000-2001, despite an additional 414 FTEs (full-time equivalents) deployed, we were unable to dispose of collection accounts (production) at the same rate we took in new accounts (intake). This occurred even though intake was lower than in the previous year. In addition, largely because of the backlog in T2 returns processing, we were only able to collect 91.6% (or \$687 million of the \$750 million expected) in additional collections with the extra FTEs. Typically, collection effort on new intake of T2 returns yields high recoveries.

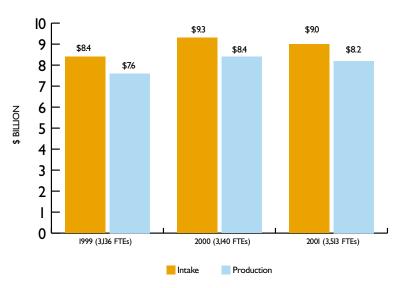
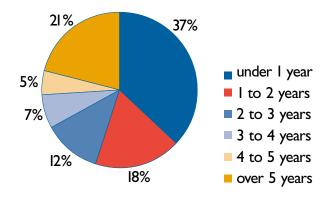


Exhibit 9: Collections Activity – Intakes and Production

With a lower intake and additional FTEs, we were able to devote more attention to working older and more complex accounts, which take more time and are more difficult to collect. As a result, the cost to the CCRA of collecting \$1,000 in accounts receivable grew from \$15 in 1999-2000 to \$18 in 2000-2001.

Despite our intensified collection efforts in 2000-2001, the age of our accounts receivable inventory under collection status in tax services offices (TSOs) remains a challenge. As shown in Exhibit 10, as of March 31, 2001, 37% of inventory was under 1 year old; 18% was between 1 and 2 years old; 12% was between 2 and 3 years old, with 21% over 5 years old. Additional collection effort was directed at this last category over the past year. On a year-over-year basis, the share of bad debts written off and debt forgiven amounted to 10.6% in 2000-2001, or \$1.48 billion, compared to 7.5%, or \$980 million, in 1999-2000.



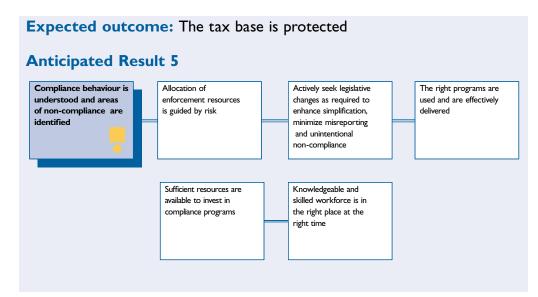




Overall recoveries represented 2.7% of gross revenue as of March 2001, down from 3.1% the previous year. We are currently developing a comprehensive strategy to improve our effectiveness in reducing the balance of accounts receivable. Through more automated technology processes, we are addressing new debts as they arise more quickly, which in turn is reducing the aging risk in collecting outstanding debts.







#### **Conclusion**

We believe that we have made some important strides in measuring and understanding non-compliance in recent years, despite resource pressures from mandatory workloads. However, we still have knowledge gaps in important areas. Initiatives such as our new Core Audit program for business returns are beginning to fill some of these gaps.

#### **Highlights**

Measuring tax non-compliance and understanding its underlying causes is an extremely challenging but important task for revenue agencies worldwide.

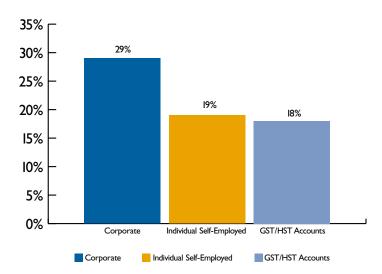
To learn about compliance behaviour, we analyze many different sources of information. Random verification and audit programs indicate the degree of non-compliance on specific tax issues or within particular industries. Under the Processing Review Program for individual income tax returns, we verify random samples of returns that claim different credit and deduction items by checking the amounts reported for these items. Our random samples are not large enough to give reliable estimates of the amount by which claims for credit and deduction items are overstated in the general return population. However, we are able to reliably estimate the rates of non-compliance. The estimated overall rate of non-compliance on covered items was 7.2% in 1999-2000. This figure is relatively unchanged from recent years, which suggests our program is keeping non-compliance in check at relatively low levels.

However, some individual income and deduction items show a decisive trend. For example, the adjustment rate on randomly selected claims for the northern residents deductions has increased in recent years. To address this trend, we have increased the number of reviews of claims for this deduction from about 12,000 in the 2000 program, to nearly 19,000 in the 2001 program, and we have taken steps to more effectively target non-compliant claims. In addition to adjusting coverage rates in response to observed trends, we communicate with clients to reduce the number of improper claims.

We regularly provide lists of common errors to our Client Services Directorate and to the EFILE Agents Association to inform them of problem areas. We also explore whether errors can be reduced by improving our tax forms and guides.

The Core Audit Program for business returns (income tax and GST/HST) measures compliance within specific industry sectors and population groups. In 2000-2001, the second year of the program, we focused on measuring non-compliance rates across the GST/HST and corporate income tax populations. By auditing randomly selected accounts, we produce statistically valid measures of non-compliance rates for the sampled population. We will use these rates as a baseline for assessing compliance trends over time. In addition, the program is already helping measure the effectiveness of national risk assessment systems and giving us a better understanding of the key issues of non-compliance.

To assess the overall risk of non-compliance within a given tax sector and the specific risks associated with particular tax issues, the CCRA has developed a national risk assessment system that integrates relevant data for identifying non-compliance with a knowledge base derived from the experiences of audit specialists across Canada. Although the system does not comprehensively address all compliance issues, the following exhibit shows broad estimates of the percentage of client accounts with a substantive risk of non-compliance:



We also use surveys to enhance our understanding of compliance behaviour. A recent baseline study showed that:

- 71% of respondents agreed that because people cheat on their taxes, the rest of taxpayers have to pay more;
- two out of three respondents thought that to discourage cheating, the CCRA should increase the use of audits and penalties;
- two out of three respondents believed it was likely cheaters will be caught; and
- at least 61% of respondents felt the CCRA was doing a good job overall.

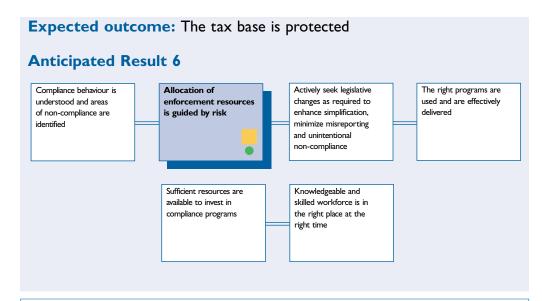
These findings give us a baseline for measuring results of later surveys; this will aid us in evaluating how effectively we are addressing compliance problems.

In the case of very large corporations, the CCRA maintains a continual audit presence, which serves as a source of information on compliance trends and patterns within this segment of the corporate population.

A team of CCRA audit specialists from across Canada was assembled recently to improve our capacity to assess corporate compliance risks. They identified 30 key issues of corporate non-compliance and are helping develop criteria for selecting cases based on these issues for corrective enforcement action. We also work closely with industry associations and participate in consultative committees to improve mutual understanding of compliance issues for specific industries. For example, our health services specialist worked with the Canadian Health Care Association during 2000-2001 to develop a framework for identifying, understanding, and addressing key tax-related compliance problems within the health sector.







#### **Conclusion**

We believe our risk assessment systems are generally effective in identifying higher-risk returns for verification and enforcement. However, we need to make more progress to ensure we are effectively allocating our compliance resources across program areas. As explained below, we are developing infrastructure to improve risk management procedures in an integrated way.

#### **Highlights**

The CCRA targets the largest share of its review and enforcement activities on areas of highest risk, a strategy that makes the tax system more equitable, recovers more revenue, and imposes a smaller burden on honest taxpayers.

**T1 matching program** – Under this program, we compare amounts reported for a variety of income and deduction items on individual income tax returns to the amounts reported on third-party information slips. When we uncover substantive discrepancies, we review the return and take appropriate corrective action. This promotes compliance in two ways. First, information slips that taxpayers receive help clarify how much should be reported on the return. Second, potentially non-compliant taxpayers realize their reports will be matched against the amounts on the information slips, which discourages them from intentionally reporting inaccurate amounts.

As a result, compliance rates tend to be high on income and deduction sources covered under the T1 Matching program. For example, about 2% of clients required adjustments to reported wages and salaries in 2000-2001. When taxpayers do make reporting errors, the program allows us to efficiently target their returns for review. During 2000-2001, we reviewed 1.4 million returns with apparent discrepancies resulting in too little tax, which yielded \$378 million in additional tax assessments. In addition, the beneficial adjustments portion of the matching program corrected over \$56.2 million in tax overpayments on 258,000 returns.

**Validation programs** – The T1 Matching program does not cover many individual deduction and credit items on a return. To verify that these items are reported properly, we have two major programs in place: the Processing Review Program and the Confidence Validity Program. Samples of returns claiming one or more covered credit or deduction items are selected for verification. The Processing Review Program targets returns at risk of requiring an adjustment for a review after they have passed the initial processing stage. An up-front review is conducted under the Confidence Validity Program for those returns that appear to be the most likely to require substantial adjustments to claimed credits and deductions.

We use the results from the random sampling portion of the Processing Review Program to develop selection criteria for the Confidence Validity Program and the compliance sampling portion of the Processing Review Program. Comparing the 1999-2000 results under these two programs with those from our Processing Review random samples indicates that our targeting criteria are generally effective. For credit and deduction items subject to both random and targeted reviews, the adjustment rate for our targeted reviews was nearly twice as large as the adjustment rate for the random reviews (19% compared to 10%). Moreover, the average assessment from the targeted reviews was \$126 compared to only \$38 for the random reviews.

The results presented in Exhibit 11 indicate that the average adjustment from reviews performed under the Confidence Validity Program was \$248.00 in 1999-2000, compared to \$126.07 under the Processing Review Program. This suggests our criteria for selecting the most risky or suspicious returns for an up-front review are generally effective. Overall, the Processing Review Program yielded \$103.5 million in additional tax assessments, while the Confidence Validity Program yielded \$74.1 million.

Exhibit 11: Average and Total Adjustments for the Confidence Validity and Process Review Programs (1999-2000)

	Confidence Validity Program	Processing Review Program
Average adjustment per review	\$248.00	\$126.07
Total adjustment	\$74.1 million	\$103.5 million

Tax Services

Funding for our validation programs has not kept pace with growth in the filing population. The expansion of electronic forms of filing has also resulted in increased costs for random sampling and verification under our Processing Review Program, and therefore a reduction in compliance coverage. We initially planned to perform about 815,000 reviews under this program in 2000-2001. However, due to budgetary pressures, we actually performed only 745,000 reviews, or about 9% less than the previous year. At the same time, the average recovery from these reviews has grown, from \$119.60 in 1998-1999 to \$126.07 in 2000-2001. In light of these statistics, it appears that more reviews would likely yield substantial amounts of revenue. Preliminary CCRA estimates suggest that the investment of an additional \$1 million in resources for our validation programs would yield additional tax assessments of about \$12.8 million.

**Audits** – We perform audits to address more serious cases of tax non-compliance and to discourage future cases of non-compliance. Our audit programs are supported by sophisticated computerized risk assessment systems that identify and assess non-compliance risks for all individual and corporate income tax filers, as well as all GST/HST accounts. They facilitate appropriate selection of audit workload by ranking case files in order of assessed risk. The systems use a wide variety of information from certain other federal and provincial data banks. Some of the information is asset-based, allowing inferences to be made about non-compliance. This is particularly useful in detecting activity in the underground economy. Examples of information types include details from financial statements, links between corporations and their shareholders, third-party information slips, historic reporting patterns, previous audit results, and neighborhood income profiles.

We also use statistical methods to assess revenue risks. These methods often focus on non-compliance of a material nature. We determine risk by how closely the characteristics of a given file correspond to the characteristics of files known to have had material non-compliance. Although we work to maintain a minimum level of audit coverage among all types of tax returns, high-risk returns are given closer scrutiny when selecting audit workload, and their coverage rates are significantly higher.

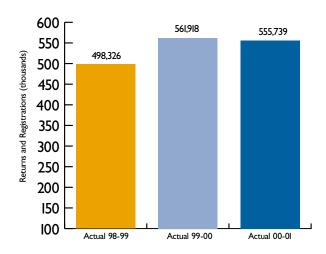
A preliminary analysis of the Core Audit Program results in 2000-2001 for individuals in the business services sector confirms that our risk assessment system is generally effective at targeting non-compliant taxpayers. In particular, random audits under the Core Audit Program indicate that taxpayers identified as high-risk have a higher incidence of significant tax adjustments than taxpayers identified as low-risk, and on average receive much larger adjustments.

The CCRA has made considerable strides in assessing compliance risks. However, developing a common understanding of how best to manage these risks on a national basis is an important challenge. In response, we have been working to develop an infrastructure to enable program managers to concentrate their compliance efforts in the areas of greatest risk, and to employ the best practices for leveraging compliance efforts.

The Compliance Measurement, Profiling, and Assessment System (COMPASS) allows us to analyze compliance risks by industry sector, geographic area, and other statistical or demographic breakdowns. By testing and validating non-compliance hypotheses, it improves our capacity to identify and understand non-compliance, and to focus limited resources in the areas and on individual files with the highest risks. Last year, the second iteration of COMPASS, which contains compliance information on all 22 million individual taxfilers in Canada, was delivered to 12 pilot tax services offices across the country, as well as to regional and Headquarters staff. The main objective was to evaluate the capability to handle system volume with satisfactory response times. The user feedback on the functionality of COMPASS was positive, and each of the tax services offices is anxious to see COMPASS expanded. The program is scheduled for national delivery in fiscal year 2001-2002. This third iteration of COMPASS will include compliance information for all 2.5 million GST/HST accounts.

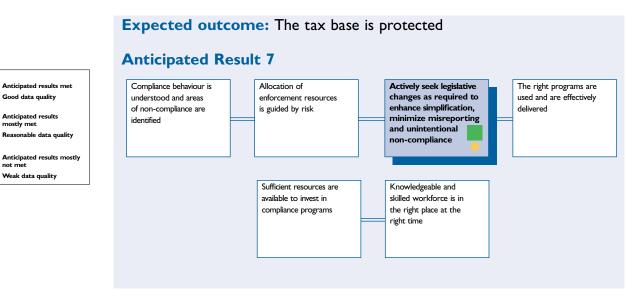
Filing enforcement – The CCRA uses a variety of data sources to identify non-filers of tax returns and GST non-registrants. During the past year, a study was performed of non-filers identified on CCRA systems that were not subjected to enforcement action under the Non-Filer Program. We are using the results to develop an improved profile of non-filers that can be integrated into a model for assessing non-filing risk factors. Exhibit 12 summarizes our recent performance in identifying non-filers and non-registrants. In each of the last two years, we secured about 550,000 returns from non-filers and non-registrants, compared to about 500,000 in 1998-1999. This performance improvement was achieved with no additional resources.

Exhibit 12: Non-Filer/Non-Registrants — Number of Returns and Registration









## **Conclusion**

We believe we have been proactive in seeking appropriate legislative changes to enhance simplification and reduce errors.

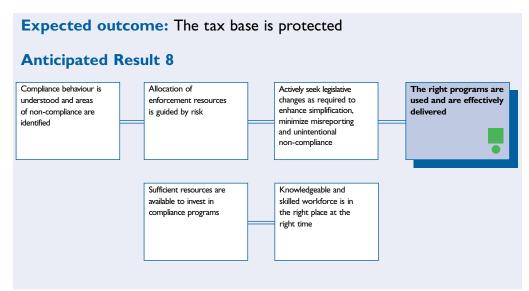
## **Highlights**

We exercise our mandate within a complex legislative framework, consisting of numerous pieces of legislation, which we are responsible for administering on behalf of Parliament and the territorial and provincial legislatures. Federal legislation includes the *Income Tax Act, Excise Act, Excise Tax Act, Customs Act,* and *Customs Tariff.* We work with the departments of Finance and Justice to ensure that proper legislative authority exists to realize Parliament's objectives and enable us to promote voluntary compliance. This work involves the ongoing assessment of the effectiveness of our legislative framework.

Where improvements to the legislative framework are indicated, Tax Services makes recommendations for changes, the vast majority of which are submitted to the Department of Finance. In 2000-2001, the Department of Finance announced changes regarding several issues we raised, including the matter of tax protesters, making it an offence to hinder, harass, or delay CCRA officials in the performance of their duties. In addition, we identified weak currency arrangements under which large multinational corporations sought benefits (a higher than normal interest expense offset by a foreign exchange gain on account of capital on the principal repayment) by borrowing a weak currency, even though that currency is not required in their business. Specific legislation to address these arrangements is part of Bill C-22, which received Royal Assent on June 14, 2001.

We continually reassess the full scope of our administrative policies and practices to ensure they respond to emerging issues and trends. The CCRA Policy and International Committee reviews new policy guidelines before they are implemented, and policy direction may be validated with client groups. During 2000-2001, significant new or enhanced policies were developed and implemented in seven key areas.





#### Conclusion

We believe that we are effectively delivering the right mix of programs to protect the tax base, while still encouraging taxpayers to participate in key programs such as the scientific research and experimental development programs.

#### **Highlights**

To properly manage the compliance continuum, we must have a range of different programs tailored to the needs of specific client groups. To resolve root problems, these programs must be based on a sound understanding of the compliance issues affecting particular groups. Depending on the nature of the issue, the appropriate compliance program may involve education, outreach, service, review, enforcement, or a combination of these elements. Five key compliance programs that address specific client needs are discussed below.

## I. Audit protocol agreements for large corporations

Large corporations often face complex and highly technical compliance issues. Typically, these corporations earn gross revenues of more than \$250 million, involve many controlled companies and foreign affiliates, and engage in transactions that require highly complex interpretations of law. Because of the complexity, technical nature, and size of the compliance risks in this client group, our goal has been to audit each large corporation using a two-year audit cycle. Each is subject to a detailed risk assessment. The results of these assessments are shown below.

Audit Results for Large Corporations					
Number of Large Corporations Audited	Percentage of Large Corporations Audited	Total fiscal impact			
1,191	54%	\$1.6 Billion			

To respond to their need for more certainty in their financial position, audit protocols for large corporations have been developed. These protocols form a mutually agreeable framework between the company and the CCRA to promote compliance. They establish guidelines for the audit process to help ensure co-operation, openness, and flexibility. Currently, 180 Large File cases are under protocol, compared to 145 cases in 1999-2000. This represents a take-up rate of approximately 25%. A survey in spring 2000 validated the utility of the audit protocols and identified a number of potential improvements. The challenge ahead will be to retain existing protocols as they expire and develop new protocol agreements. The CCRA has also responded to the needs of large corporations by implementing real-time audits. These audits are performed when there are significant transactions affecting tax payable and where the company seeks certainty before filing its tax return.

#### II. International tax compliance initiatives

The rapid growth in foreign trade has increased the need for more focus on compliance in the international tax domain. As a result, we are developing a comprehensive approach to managing international compliance issues. Some of the key elements of this approach are:

- outreach efforts to educate resident and non-resident taxpayers about their reporting responsibilities associated with international transactions;
- improved risk assessment based on an analysis of key risk factors and supported by a data base on foreign investments and transactions;
- better targeting of enforcement activity towards high-risk areas and improved enforcement procedures;
- legislative and policy changes to improve administration and promote compliance; and
- enhanced partnerships with domestic and international governments to exchange information and share best practices for addressing international tax compliance issues.

In 2000-2001 the CCRA also made progress in resolving long-standing concerns in the area of transfer pricing. We released an information circular on transfer pricing issues in fall 2000. In addition, we set up a Transfer Pricing Assistance program in selected tax services offices, and we made efforts to promote the Advance Pricing Arrangement (APA) program. Under this program, the CCRA provides advance confirmation on the appropriate transfer pricing methodology for specific non-arm's length transactions with foreign affiliates. This provides companies with more certainty on how to value these transactions for tax purposes.

To help identify risk relating to transfer pricing issues, we have enhanced our information exchanges with other countries and integrated information from foreign reporting requirements into our risk assessment systems. In addition, we continue to perform a variety of functions to address high-risk areas in international taxation, including:

- industry-level analysis of sector-specific risks and issues for possible inclusion in risk assessment systems;
- co-ordination with tax services offices to improve the focus of audits involving high-risk international tax issues;
- directing special audits in high-risk areas; and
- participating in quality assurance reviews to ensure the proper and consistent application of policies and legislation.

## III. Enhancements to programs for the detection and prosecution of fraud

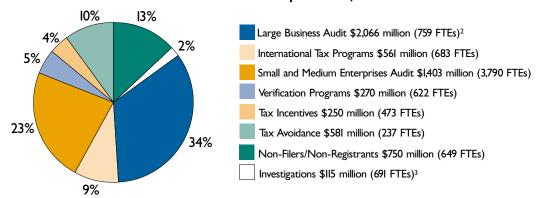
The CCRA's underground economy initiative provides a balanced approach to address compliance issues in the small business community. In 2000-2001, the initiative focused on the construction and hospitality sectors. Using results from a study in 1999, we developed social marketing activities to discourage consumers from engaging in underground economic transactions in the home renovation sector. During 2000-2001, our partnership with the Canadian Home Builders Association was expanded, and we held "Get it in writing" consumer seminars on the risks of dealing in the underground economy in 62 communities.

Another area of non-compliance that required significant attention in 2000-2001 is the movement of vehicles and tobacco products through First Nations reserves in an effort to bypass taxation of these products when they are sold to consumers in the mainstream economy. During 2000-2001, 147 GST audits were performed in this area, yielding \$23.9 million in assessments.

The CCRA investigates and prosecutes cases of wilful non-compliance, and efforts to combat fraud were intensified during 2000-2001. Our GST/HST pre-payment program aims to identify and address over-stated or fraudulent GST/HST credits or rebates before they are paid. We established a fraud identification team to address this problem. A total of 312 customs and tax investigations were referred to the Department of Justice, which resulted in the prosecution of 404 persons where sufficient evidence was found to support charges. This represents a substantial increase over the 213 fraud cases that were referred to the Department of Justice in 1998-1999 and the 185 referrals in 1999-2000.

Effectiveness of review and enforcement programs – The compliance programs we provide help to ensure the integrity of the tax system. One performance indicator is compliance programs revenue, which met the anticipated fiscal impact level for 2000-2001. Exhibit 13 illustrates the total fiscal impact generated in 2000-2001 by the major compliance programs. The number of files audited and associated FTEs in 2000-2001 are similar to the figures for the previous two years. The total fiscal impact of our audit programs was \$6 billion in 2000-2001, which is somewhat larger than the \$5.5 billion recovered in 1998-1999 but significantly lower than the \$6.8 billion recovered in 1999-2000. The fiscal impact for the latter year was abnormally high due to a few very substantial audit cases involving large corporations and non-resident taxpayers.

Exhibit 13: Compliance Programs – Actual 2000-2001 Federal and Provincial Taxes-Total Fiscal Impact of \$6 billion<sup>1</sup>



<sup>&</sup>lt;sup>1</sup> Total fiscal impact includes federal and provincial tax (participating provinces only), federal tax refunds offset or reduced, interest and penalties, and present value of future tax assessable. Assistance on audits of international transactions that are included in other compliance programs represents \$601 million. International tax programs also generated protective assessments of \$328 million in 2000-2001 that are not included in the total fiscal impact.

<sup>&</sup>lt;sup>2</sup> Full Time Equivalent (FTE) resources represent operational resources directly related to program activities and exclude FTEs used in support programs such as Valuation Services.

<sup>&</sup>lt;sup>3</sup> Resources and results from Customs Investigations are included.



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## IV. Enhanced audit screening for charitable organizations

To improve enforcement capabilities, we introduced improved audit screening techniques to restrict the scope of audits and, at the same time, increase the number of audit issues raised. In 2000-2001, the CCRA conducted 536 audits (up from a total of 395 in 1999-2000) and revoked the charitable status of 61 organizations for various non-compliance reasons. We intensified reviews of information in Form T3010, Registered Charity Information Return, in 2000-2001 to address concerns about the level of non-compliance and to improve accountability of charitable organizations. In total, 11,610 returns were rejected for completion errors—a decrease from previous years.

#### V. Improving the delivery of key tax credits

We are also working to improve program delivery for certain key tax credits. The Scientific Research and Experimental Development (SR&ED) Program is Canada's largest federally supported incentive program for industrial research and development. Efforts, including reorganization both at Headquarters and in tax services offices, began in 1998 to restore confidence in the program and respond to industry concerns about consistency and predictability in program delivery. New policy guidelines - Guidelines for Resolving Claimants' SR&ED Concerns and the Guide to Conducting a Scientific Research and Experimental Development Review - set out the CCRA's procedure for addressing claimant concerns and unresolved issues resulting from a review and for conducting a technical review of a claim respectively.

Joint government-industry workshops help claimants apply for the credit and comply with its requirements. Sector-specific committees have developed issue papers to improve program consistency and fairness across economic sectors, and National Technology Sector Specialists respond to the needs of major Canadian industry sectors. The Account Executive service provides a central point of contact and guidance on the program.

In summary, through wide-ranging partnerships forged with industry, we have created a rich source of information and guidance about the SR&ED program. We are streamlining paperwork and simplifying the claim process. It is easier for companies to benefit from the program, and feedback shows that industry is more confident about it.

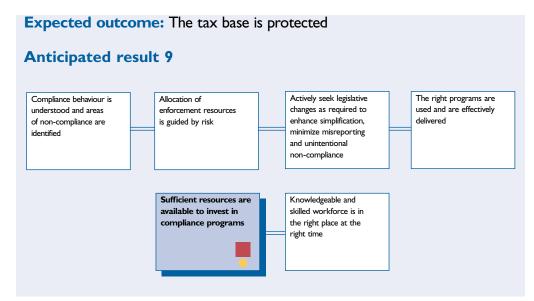
Four service standards for SR&ED delivery are in place. We have made significant progress compared to our results in 1998-1999, although we did not meet our target of 100% for each of these public service standards. Our results for two of our SR&ED standards were comparable to last year's, while the results for one standard were higher, and for the other somewhat lower. As illustrated in Attachment 1, in 2000-2001, we processed 80% of unaudited refundable claims for SR&ED within 60 days and 81% of audited refundable claims within 120 days. We processed 84% of unaudited non-refundable claims for SR&ED within 120 days and 64% of audited non-refundable claims within 1 year.

In a recent industry survey, 52% of respondents felt that SR&ED delivery has improved, while only 3% felt that delivery has worsened. We must continue our efforts to ensure program rules are consistently applied across regions, particularly in the area of science review.

To continue to improve the SR&ED Program, industry and government will continue to work together. We will also work closely with the Department of Finance, to ensure administrative initiatives are consistent with the program's policy and legislative intent. We will engage stakeholders in assessing the program's ongoing progress and future plans. The overall goal is to ensure that the SR&ED program provides Canadian companies with the incentives they need to compete in today's global marketplace.

Like the SR&ED tax credit, the film tax credit is aimed at promoting growth and job creation. The CCRA also administers related provincial tax credits for British Columbia, and has established a Film Services Unit as well as an industry represented Advisory Committee to oversee delivery of the program and help manage its compliance risks. In 2000-2001, we processed 75% of un-audited refundable claims for film and video tax credits within 60 days and 73% of audited refundable claims for film and video tax credits within 120 days. However, these processing rates are below those of the year before (84% and 77% respectively) and below our target levels of 100%.





#### **Conclusion**

We do not believe we have had sufficient resources in recent years to invest in compliance programs.

#### **Highlights**

During the 1990s there were significant increases in the volume and complexity of the work underlying our compliance programs. We have adapted to these changes and the associated resource pressures by introducing new technologies and internally reallocating existing resources. However, over the last several years, reductions in base funding have resulted in the dilution of compliance programs and hindered our efforts to fully meet our objectives. In addition, review and enforcement activities are becoming increasingly complex and global, requiring additional and more time-intensive audit work. External pressures on our resources have included:

- an increasing number of large corporations;
- a growing population of self-employed taxpayers;
- the emergence of organized fraud rings making improper GST/HST refund claims;
- the continued presence of the underground economy;
- a rising number of electronic business transactions, including via the Internet; and
- the high profile of tax havens.

During the mid-1980s it was policy to audit nearly all returns of large corporations over a two-year cycle, and about one-quarter of the largest mid-sized corporations annually. Currently, only a little more than half this population is audited over a two-year period. Our targeted rate of coverage for this population is 78% over two years.

Tax Services

The balance of the mid-sized corporations included in the Basic Files program have also experienced a decline in coverage. From 1993-1994 to 2000-2001, planned coverage in these files has declined from 27% to 12% per annum. The target coverage rate for this population is 22.5% per annum.

Budgetary pressures have also led to a decline in coverage rates for GST/HST and for small business income tax audits. Since 1994-1995, GST/HST coverage rates have declined from an annual rate of 1.9% for post-payment audits to a rate of 0.8%. For small business audits, coverage has also slipped to 0.8% in 1998-1999, considerably below our current annual target of 1.25%.

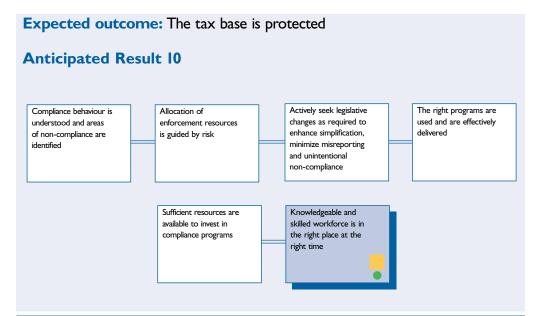
In our judgment, the levels of coverage that we are currently achieving are below what is required to encourage voluntary compliance and maintain the confidence of Canadians that the tax system is equitable. We have developed these targeted levels of coverage based on our analysis of the compliance trends occurring in these populations, as well as from a review of the practices and results of other tax jurisdictions.

We received additional funding following an independent review of the CCRA, which was conducted in the fall of 2000. In the context of this review, we provided information and analysis to decision-makers on the implications of a sustained decline on the fairness and equity of the tax system. The review concluded that the Government needed to invest additional resources to maintain the integrity of the CCRA's core tax and customs operations and to realize our change agenda. In particular, the review indicated that additional investments in compliance activities were needed to strengthen expertise for criminal investigations under legislation administered by the CCRA, and to increase coverage rates for:

- audit activities related to audit and enforcement programs such as those targeting large corporations and medium and small enterprises;
- international audit programs; and
- verification and enforcement programs relating to income tax and GST/HST.

To this end, over \$750 million of the total \$1.8 billion approved by the Government is being allocated to compliance efforts over a five-year period. A national implementation team has been established to oversee the deployment of incremental resources, and we are developing a reporting regime to satisfy the information needs of the Treasury Board Secretariat and the Department of Finance.





## **Conclusion**

On balance we believe we have met the anticipated result in that we have numerous initiatives underway to ensure that a knowledgeable and skilled workforce is in the right place at the right time.

#### **Highlights**

The Tax Services business line currently employs about 27,600 FTEs. With additional funding from the resource review, our immediate challenge is to attract the workforce we need to carry out our compliance mandate. In addition, electronic service delivery and the increasingly dynamic global environment in which we operate mean that the mix of skills in our workforce will have to change and adapt across all our service delivery lines.

To keep pace, we invest in training and learning for our existing employees, and this will require more attention over the coming years. A large number of senior staff reaching retirement age will have to be replaced, and their accumulated skills and knowledge will need to be transferred to their successors.

Examining the results of demographic analyses and HR forecasts helps us set our recruitment and retention strategies. We undertake this work annually, and it is the cornerstone for planning our intake for training and development programs, for identifying shortfalls and guiding recruitment, training, and development, and for identifying career opportunities in a proactive manner.



Tax Services

A key concern is retaining staff in specialized areas where we are competing with the private sector for highly trained staff. We have a variety of aggressive recruitment initiatives to attract highly qualified, knowledgeable, and professional individuals. These include the Auditor Recruitment and Apprenticeship program (ARAP), the Internal Auditor Recruitment and Apprenticeship Program (IRAP), and participation in the Economist and Statistician Recruitment and Development Program.

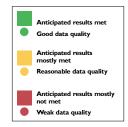
Creating an environment that fosters continuous learning, staff development, and job satisfaction is vital to keeping knowledgeable and competent staff. In addition to internal training initiatives, we partner with academic organizations, foreign administrations, and other internationally recognized training providers to attain key expertise in areas such as computer search and evidence recovery, fraud awareness, sophisticated computer-assisted audit techniques, and auditing electronic commerce.

We have an initiative to develop learning profiles in place to ensure that learning requirements are addressed in a timely manner and are aligned with strengthened competency profiles. We have deployed learning facilitators and learning plans (usually established during performance expectation meetings) and we are using them to document learning agreements between employees and their managers. We are currently establishing a model for learning/training to formally address these needs for auditors, examiners, investigators, and technical resources at a national level. The proposed model and infrastructure are necessary to meet our current responsibilities, as well as to meet the training needs of additional staff resulting from the resource review.

We are also working to ensure continuous improvement of existing training programs. For example, we are undertaking a training renewal initiative for large business audit staff, given the increasingly complex compliance relationship with these clients. We are also implementing a comprehensive classification review for Large File Program staff to address workload complexities and enhance, develop, and retain our most highly qualified and experienced staff.

Overall, we have numerous initiatives underway to ensure a strong, capable workforce is in place within the organization. These initiatives all serve to create an environment that:

- supports recruitment and retention;
- motivates staff through good management practices, continuous training, challenging opportunities, and development; and
- includes recognition for exemplary contributions to the CCRA.



# Innovating for the future Anticipated Result II Core business is under transformation to better meet our mission

#### **Conclusion**

We have mostly met expectations for transforming our core business through advances achieved according to our 2000-2001 to 2002-2003 *Corporate Business Plan*.

## **Highlights**

Over the past year, we have pursued a program of continuous improvement aimed at enhancing the service we provide. We have done so taking into account the advice from our numerous advisory and consultative committees consisting of Canadians from all walks of life who provide valuable feedback on our program direction.

We were able to realize substantive service improvements notwithstanding the program challenges associated with the growing complexity and volume of our work in the context of scarce resources. As noted earlier, during 2000-2001, significant improvements have been made to our telephone system for dealing with tax enquiries. Our newly redesigned 1-800 telephone system links call sites nationally, maximizing resource use, while at the same time allowing us to handle the highest volume of calls possible. Significant progress has been made in establishing a new direction for the Scientific Research and Experimental Development (SR&ED) Program, among others.

We have also made real progress in developing new service options that are in tune with our clients' needs and expectations. In 2000-2001, we implemented NETFILE nationally. We continue to build upon the Government of Canada's "Connecting Canadians" agenda to serve our clients with the technology that best suits their needs.



Tax Services

In the last year, our overall Innovating for the Future agenda encompassed hundreds of service improvement initiatives underway at national and local levels. Our priority in the future will be to integrate these efforts through the development of a consolidated service strategy from our clients' perspective.

We will formulate a clear vision based on the compliance continuum for the future direction of our tax services and begin to transform the business processes and approaches to respond to the priorities of our clients. It is our intention to co-operate with other agencies in bundling congruent services while respecting privacy legislation. We will consult with clients and staff and use their views to confirm or adjust our strategies. Throughout the process, we will ensure that our employees have the right tools, training, and learning they will need to fulfill their roles and contribute to our success as an organization. This will help ensure that we continue to provide the best possible suite of services for our clients, while making wise management and investment decisions.

# The Road Ahead

We will undertake the following actions to improve or enhance our performance and performance information in the coming year:

Planned Results	Related Activities	Targeted Completion Dates
Reduce the level of accounts receivable	Develop a comprehensive strategy for reducing the level of accounts receivable including a review of the current target.	2001-2002
Enhanced programs for enforcing tax compliance	Deploy additional resources recently provided by the Government and implement related compliance strategy.	2001-2006
Maturing of TONI administration	TONI maintenance and implementation of annual changes where currently in place, and introduction of TONI in remaining provinces (except Quebec) and territories during 2001.	2001-2002
Improved timeliness of corporate returns processing	Meeting the new service standards for T2 corporate returns processing.	2001-2002
Expanded beneficial adjustments program	Part of Matching Redesign initiative, scheduled to begin in 2001-2002.	2001-2002
Modernized delivery of the excise duty and tax program	Modernization to be achieved through the Other Levies Project. Redesign will constitute a platform for delivering new commodity taxes and duties that the CCRA may be asked to deliver on bealf of the federal and provincial governments. Release I of the redesign, allowing a Business Number to be assigned to excise accounts, was successfully implemented in April 2001.	2001-2005
More convenient filing options, speedier returns processing, and paper burden reduction	Business Registration On-Line to allow on-line registration for taxes with the CCRA and provincial partners; telephone and Internet filing for GST/HST; and Internet filing for T4 slips. Planned elimination of the annual printing of I0 to I5 million T4 forms.	2001-2003
Improved protection of the tax base	Matching program linking third-party information slips that report payments to government contractors and construction sub-contractors. Use data relating to foreign reporting requirements to improve assessment of risks related to offshore income.	2001-2002
Effective performance manage- ment, clear targets, and public service standards including standards for telephone services	Implementation of the CCRA performance measurement framework for tax services and implementation of service standards action plans.	2001-2004
Systematic monitoring of decisions relating to cancellation and waiving of interest and penalties for consistency	Consideration of options for instituting systematic monitoring within local offices.	2001-2002
Improved measurement and reporting of overall compliance, particularly for certain categories of tax	Review various methodologies for measuring compliance trends, benchmark, and develop options for a strategy.	2001-2002



# Tax Services

# **Attachment 1:**Service Standards in Tax Services

Met or exceeded targetTarget mostly met (met at

least 95% of target)

X Target not met

	Service	Public Standard	Target	Results 1998-1999	Results 1999-2000	Results 2000-2001	2000-2001 compared to target
_	I. Counter service wait-time	20 minutes (except peak)	20 minutes (except peak)	pilot project to measure results	not available	86% served within 20 minutes (see note)	X
	Processing Visitor     Rebate applications	4-6 weeks	100%	95%	95%	95%	*
	3. Reimbursements to duty free shops	5 working days	100%	99%	99%	99%	*
	Responding to client-requested adjustments (T1)	8 weeks	8 weeks	7 weeks	7 weeks	7 weeks	<b>~</b>
	5. Compensation to duty free shops	30 days	100%	99%	99%	99%	*
	Validating magnetic     media test tapes	30 days	100%	98%	96%	96%	×
	7. Problem resolution program	acknowledged 24-48 hours, resolution I5 days	100%	pilot	not available	not available	N/A
Client Service	8. Processing fairness requests related to accounts receivable and trust accounts programs	4-6 weeks	90%	92%	91%	91 % (see note)	✓
Client	9. Advance income tax rulings to taxpayers effective 2000-2001 within 60 days	within 60 days	within 60 days	I22 days	I08 days	54 days (see note)	<b>/</b>
	IO. Technical interpretations to taxpayers	within 90 days	within 90 days	III days	121 days	105 days	X
	II. Applications to register pension plans	acknowledge in 60 days	80%	over 80 %	over 80%	over 80%	<b>✓</b>
		complete review in 180 days	80%	88%	89%	89%	<b>~</b>
	I2. RSP & RIF applications	within 60 days	80%	69%	68%	RSP 68%	X
	I3. Response to telephone enquiries regarding deferred income plans	24/48 hrs	80%	over 80%	over 80%	RIF 78% over 80%	× /
	I4. Response to written enquiries regarding deferred income plans	60 days	80%	65%	59%	68%	X



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

	Service	Public Standard	Target	Results 1998-1999	Results 1999-2000	Results 2000-2001	2000-2001 compared to target
Returns Processing	I5. Processing TI individual (paper) income tax returns	4-6 weeks	4-6 weeks	5 weeks	5 weeks	4 weeks	~
	I6. Processing T I individual income tax returns (EFILE, TELEFILE, NETFILE)	2 weeks	2 weeks	2 weeks	2 weeks	2 weeks	<b>✓</b>
ns Pro	17. Processing T3 trust returns	4 months	95%	69%	67%	62%	X
Returi	I8. Processing GST/HST returns	2I days	100%	94%	94%	91%	X
F	19. Processing T2 corporation income tax returns	90 days	90%	80%	51%	89%	*
	20. Processing EFILE agent applications	30 days	100%	100%	100%	100%	<b>✓</b>
	Claims - SR&ED tax incentives						
	2l. Refundable claims – unaudited	60 days	100%	58%	84%	80% see note	X
	22. Refundable claims – audited	I20 days	100%	48%	81%	81% see note	X
ew	23. Non-refundable claims – unaudited	I20 days	100%	70%	85%	84% see note	X
Review	24. Non-refundable claims – audited	l year	100%	39%	58%	64% see note	X
	Claims – Video & film tax credits						
	25. Refundable claims – unaudited	60 days	100%	72%	84%	73%	X
	26. Refundable claims – audited	I20 days	100%	75%	77%	75%	X

- **Standard 1:** Information is based on limited input from Client Service Rating Cards and is not statistically valid.
- **Standard 8:** Information is based on a small sample size and is not statistically valid.
- **Standard 9:** This service standard has been changed from 90 days to 60 days to better align it to the number of days the CCRA would normally work on an average ruling; consequently, the time indicated to clients as the standard no longer includes time when the CCRA cannot work on the ruling for reasons it cannot control, such as waiting for vital information from a client. This information has been communicated to CCRA clientele at various conferences.

#### **Standards**

**21-24 (incl.):** There has been a tremendous improvement from 1998-1999 as can be evidenced with the year-over-year success rate increase towards our service standards. The 2000-2001 goal is 90% for refundable claims and 80% for non-refundable claims.

# Benefit Programs

# and Other Services



# **Rating System**

- Anticipated results met
- Rating is based on good data quality Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly met
- Rating is based on reasonable data quality Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly not met
- Rating is based on weak data quality Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods



# About Benefit Programs and Other Services

Through this business line, the CCRA delivers over \$10 billion in direct benefit payments to over half of all Canadian households. For many recipients, these benefits represent a significant share of household income. Most benefit programs we deliver are income-based, and participants must file an individual (T1) income tax return to receive benefits. The benefit payment year therefore runs from July to June, as it depends on the processing of the T1 returns.

The CCRA administers four federal and twelve provincial or territorial programs. Two of the largest and most visible are the Canada Child Tax Benefit (CCTB), a monthly tax-free payment that helps families with child-rearing costs, and the goods and services tax/harmonized sales tax (GST/HST) credit, a quarterly tax-free payment which helps individuals and families offset GST/HST costs. In 2000-2001 we issued over \$7 billion to approximately 3 million CCTB recipients and \$2.8 billion to almost 9 million GST/HST credit recipients. In addition, the Children's Special Allowance program paid \$103 million for children in foster care and institutions, and the disability tax credit program provided over \$320 million in non-refundable tax credits to about 420,000 severely disabled individuals.

Among the programs we administer for the provinces and territories are payments processing for the Workers' Compensation Board of Nova Scotia, the Saskatchewan sales tax credit, and a variety of child and family benefit programs. In 2000-2001, over 932,000 Canadians received \$460 million in benefits from these programs. In addition to recurring payments programs, we also provide one-time programs such as the Ontario Taxpayer Dividend that delivered \$920 million to over 4.8 million Ontarians.

We work to administer these programs so that payments are made on time, in the right amount, and to the right people. We provide Canadians with information about their rights and entitlements and let them know what they need to do to receive benefits. Many of the households that are entitled to benefits have relatively low levels of income and may have no legal obligation to file. As a result, we work to improve our understanding of the benefit-entitled population so that we can tailor our communication strategies more effectively to encourage participation and inform our clients of their rights and responsibilities. We have also been working to improve our capability to assess compliance risks. This will help us target our compliance resources more effectively and make sure the proper amount of benefits is going to the right people.

We also work to maintain a strong program delivery capacity to respond effectively to emerging government priorities. Our organization's new flexibilities as an agency mean that we have more opportunities to develop and expand our business relationships with the provinces and territories. Our aim is for these partners to rely on us as a key service provider.

By using CCRA processing and information systems and infrastructure, we are able to support a wider range of national and provincial programs that provide social and economic benefits to Canadians. This supports sound public management and strengthens the social union in Canada.

In addition to benefits and credit programs, we also provide other key services to our partners and Canadians. We issue some 75,000 rulings each year for the Canada Pension Plan (CPP) and Employment Insurance (EI) programs to make sure Canadians receive fair, impartial, and reliable decisions and related information. As well, we administer the Refund Set-Off program under which outstanding debts owed by individuals to our federal, provincial, and territorial partners are offset against income tax refunds, GST/HST credit payments, and provincial tax credits (\$100 million was offset last year).

We supply information by data feeds to our provincial, territorial, and federal partners to support their programs (e.g., for the EI family supplement and the guaranteed income supplement for HRDC).



# **Business Line Spending**

As the Exhibit below indicates, the benefit business line had approximately \$1,676 million in authorized spending for 2000-2001. The authorized spending included direct social transfers to individuals that encompass statutory programs i.e.: Children's Special Allowance (\$103 million) and other adhoc transfers such as the Relief for Heating Expenses program (\$1,522 million). The remaining \$51.6 million was available for program administration.

## Exhibit 1: Business Line Spending

BENEFIT PROGRAMS AND OTHER SERVICES	1998-1999	1999-2000	PERCENTAGE INCREASE	2000-2001	PERCENTAGE INCREASE
Planned Spending <sup>1</sup> (\$000)	68,392	102,942	50.5%	164,308	59.6%
Allocation of Authorities <sup>2</sup> (\$000)  Direct Social Transfers to Individuals  Statutory Programs: Children's Special Allowance Special Transfer: Relief for Heating Expenses Functional budget for program administration Total	69,973 N/A 42,120 II2,093	88,227 N/A 44,745 132,972	26% N/A 6.2%	102,689 1,521,819 51,573 1,676,081	164% N/A 15.2%
Actual Spending (\$000)  Direct Social Transfers to Individuals  Statutory Programs: Children's Special Allowance Special Transfer: Relief for Heating Expenses Functional budget for program administration Total	69,973 N/A 61,322 <sup>3</sup> 131,295	88,227 N/A 40,287 128,514	26% N/A -34%	102,689 1,459,267 51,463 1,613,419	164% N/A 27%
Planned FTEs	497	581	16.9%	1,026	76.6%
Total FTE Authorities	541	866	60.1%	1,000	15.5%
Actual Number of FTEs	521	605	16.1%	796	31.6%

<sup>&</sup>lt;sup>1</sup>Main estimates

#### Note

Spending figures do not include resources related to client services (telephone enquiries), CPP/El activities, or refund set-offs, which are included in Tax Services information. It is not possible under our current costing system to break out financial information for this business line in more detail. Financial information related to federal-provincial business planning and development is also not included here.

Details on our performance against overall authorized spending for the CCRA as approved by Parliament are provided in Table 8 of Schedule C, page 2-163.

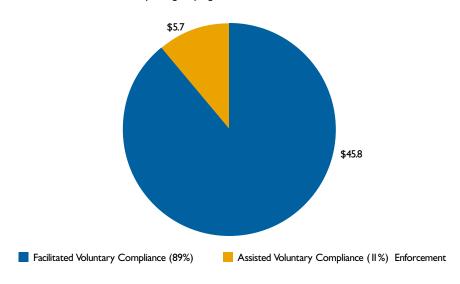
<sup>&</sup>lt;sup>2</sup>Main estimates + supplementary estimates + year-end adjustments; i.e., the full amount available to spend

<sup>&</sup>lt;sup>3</sup>Total authorities and actual spending based on an estimated allocation in 1998-1999.

To ensure Canadians receive the proper amount of benefits and other services, the CCRA undertakes a comprehensive set of activities to facilitate participation and promote compliance with our benefit programs. To do this, the program administration budget was virtually fully spent; 89% or \$45.8 million was allocated to facilitation activities (such as ensuring the quality of our payments and notices, updating and adjusting client accounts, and processing forms and applications). The remaining 11% or \$5.7 million was allocated to assisted compliance activities (such as validation and control), as illustrated below.

Exhibit 2: Total Benefit Program Administration Resources Allocated to the Compliance Continuum for 2000-2001 (\$ Million)





#### Note

The percentages above are based upon management's best estimate of actual business line spending on compliance continuum activities.

Funding for core programs has increased over the last three years. To enhance program integrity and better ensure that clients receive the proper amount of benefits, our validation and control budget for such areas as client data, eligibility, and accounts increased by 43% between 1999-2000 and 2000-2001. Despite relatively low staff numbers, we are able to use capacity from other business lines to provide cost-effective delivery.



# Exhibit 3: Benefit Programs and Other Services Performance Report Card

	В	ENEFIT PR	ROGRAMS and OTHER SERVICES					
	Expected outcome – Canadians receive their rightful share of entitlements							
tinuum	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex pg.				
Compliance Continuum	Program communication and delivery is fair and responsive to recipients' needs	•	<ul> <li>Program outreach activities contribute to meeting recipients' needs</li> <li>Telephone services are accessible, but performance needs improvement during peak periods</li> </ul>	2-63 2-65				
Managing the Compli	Entitled recipients receive accurate and timely payment and credits	•	<ul> <li>According to information on our benefit rolls, we estimate that over 98% of all payments (\$9.8 billion) to 3 million federal child tax benefit recipients and 9 million GST/HST credit recipients were accurately calculated and that over 99% were issued on time. However, to enhance our level of assurance of the accuracy of the benefits rolls and payments, we are working to conduct further and more robust validations over a multi-year agenda, while recognizing that legislated privacy considerations place limits on these efforts.</li> <li>Processing of applications meets standards</li> <li>HRDC and clients receive timely rulings pertaining to the CPP and</li> </ul>	2-69				
	Expected outcome – Pro	ovinces, territ	El programs  cories, and other government departments rely on the CCRA as	2-70				
	AN ITICIDATED DESI NES	<b>0</b>	a key service provider	_				
rutuir S	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex Pg.				
innovating for the ruture Year   Results	Successful leveraging of CCRA systems expands service, eliminates		Fourteen new benefit programs instituted over the past three years on behalf of other federal government departments and provincial and territorial governments	2-73				
Year	duplication across all levels of government, and reduces overall cost to taxpayers		Refund set-offs for other government organizations totalling some \$100 million  Meaningful and transparent accountability through annual reports lays the foundation for enhanced business with provinces and territories	2-73 2-73				
	, ,		Opportunities for new areas of business under active discussion with provinces	2-73				
			Expansion of Workers' Compensation Board (WCB) service arrangements     Projects to deliver one-of-a-kind payments on behalf of federal and provincial clients were successfully implemented	2-73 2-73				

# Evaluating Our Overall Performance

The performance report card (Exhibit 3) summarizes our evaluation of the performance of the business line in 2000-2001 for the three anticipated results that support our two expected outcomes.

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

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

Ratings are given for each anticipated result and show whether we met, mostly met, or fell short of the result. The report card also includes a separate rating of the quality of information upon which we based the assessment.

Overall we mostly met our first expected outcome—that Canadians receive their rightful share of entitlements. The vast majority of Canadians can depend on receiving their benefits on time. Substantial work has been done to ensure the accuracy of the benefit rolls and identify and quantify areas of non-compliance. However, we need to establish a more comprehensive performance measurement framework that includes additional targets, increased monitoring, and more research.

While we are making progress, we need to improve telephone answering performance, particularly during peak periods. While 100% accessibility is not realistic, we need to develop meaningful service standards in this area that will support continuous improvement.

Our performance rating is based on management judgement supported by reasonable quality data obtained from reliable sources or methods, including internal performance targets, our service standard, surveys, and focus group research. We outline our plans to address areas where improvements are needed in "The Road Ahead," at the end of this chapter.

Overall, we believe that we have made good progress towards accomplishing our three-year agenda for our second expected outcome—that provinces and territories and other government departments rely on the CCRA as a key service provider. Over the past three years, we have delivered 14 new benefit programs and non-recurring payments quickly, efficiently, and within very tight timeframes.

In year one of our agenda, the CCRA administered two non-recurring payment programs: the Ontario Taxpayer Dividend and the Alberta Energy Tax Rebate, and we developed a third payment program—the British Columbia Energy Rebate—issued in May 2001. We also provided a data transfer to Newfoundland to enable it to administer its own heating fuel rebate program, and we administered a new program for Saskatchewan—the Saskatchewan Sales Tax Credit.

We have been working to expand our infrastructure and capacity to increase the range of programs we are able to offer on behalf of our partners. We also provide the provinces with annual reports on our administration of any tax or program that we carry out for them.



# Discussing Our Performance





#### **Conclusion**

Except for telephone service accessibility, we believe that our program communication and delivery are fair and responsive to client needs.

## **Highlights**

**Communications** – We place a high priority on effective communication of information about benefit programs, and we assess our effectiveness based on the level of client satisfaction, which we gauge through focus groups and surveys.

According to the CCRA's Baseline Study in 2000, 69% of respondents were aware that the CCRA manages the GST/HST credit program, and 57% were aware that the CCRA manages the Canada Child Tax Benefit (CCTB). Three-quarters of benefit recipients believe that the CCRA is doing a good or very good job when it comes to the CCTB and the GST/HST credit. The study also suggests a fairly high degree of awareness by both CCTB and GST/HST credit clients (88%) of their obligation to advise the CCRA of address changes to ensure continuity of benefits.

Communication strategies are used to increase visibility of these programs and ensure that individuals are aware of all entitlements and obligations. Focus groups (i.e. facilitated interviews, typically with six to ten individuals representing the client group) are used to assess the wording, readability and format of communications products, awareness of aspects of the programs, and the effectiveness of program change communication. A 1998 CTB focus test resulted in a number of recommendations that were used to improve the readability of the notices.

We have also introduced client satisfaction surveys. The first focusing on the CCTB application process was completed in June 2000. Results on our instructional services showed that 86% of clients felt the CCTB application kit was sufficient, and 82% found the instructions easy to understand.

To support compliance, we updated the information package distributed by funeral directors regarding obligations to advise the CCRA to cease benefits for deceased persons. We have also directed attention to families with children over the age of 15 to ensure they understand their obligation to inform us when these children leave home. We are developing a similar information kit to distribute at colleges and universities to educate students about the CCTB and the GST/HST credit.

Some additional measures implemented in 2000-2001 to improve communications included:

- Targeted mail-outs to all 64,000 habitual late filers completed in March 2001 to remind them of their obligations and entitlements. This resulted in a 36% improvement in timely filing and a large drop in the number of clients who had contingency payments recouped.
- Improved distribution of posters for the CCTB and the GST/HST credit, including one on the need to advise the CCRA of address changes to ensure payment continuity.
- Distributing information through local outreach and community volunteer programs.
- Information for new immigrants at Citizenship and Immigration Canada and media outlets.
- Information scripts for cable television.

One indicator of the effectiveness of our communication and outreach initiatives is the actual take-up rate in the programs we administer among eligible households. The most recent analysis of the take-up rate for the CCTB program was carried out in 1997, based on a random sample of 1995 and 1996 birth records obtained from Ontario, British Columbia, Alberta, and data from Statistics Canada and other sources. The results, while not conclusive because of the small sample size and other factors, indicated that as much as 95% of entitled children born within the sampled population areas were enrolled in the program within one year of their date of birth. Low-income families are especially likely to have enrolled their children, with a take-up rate among GST/HST credit-eligible families, based on the 1999 tax return, of 98.2%. While we would like to take further steps to learn more about non-participants, there are privacy issues that must be carefully considered. Consequently, our approach will be to use every public service available to publicize the CCTB and to carry out periodic surveys to evaluate our performance.

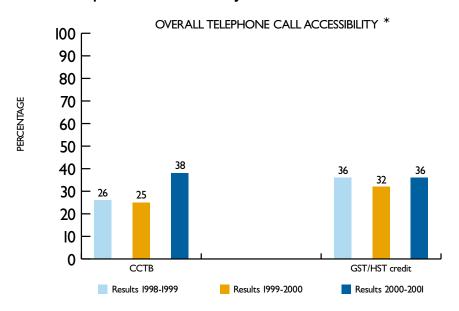
Because most benefit recipients prefer to communicate with us by telephone, and many need repeated assurances that their cheques "are in the mail," we need to improve telephone services, particularly during peak periods. Our target is to answer 40% to 60% of all calls on the first attempt. This target is well below that of other business lines because of the many calls we receive at certain times, which usually coincide with the new benefit year or cheque mailing dates. Our performance has improved, but still falls short of our target, especially during peak periods.



In 2000-2001, our agents answered a total of 2.3 million CCTB telephone enquiries and 3.5 million GST/HST credit and refund enquiries. In addition, the automated systems responded to 2 million CCTB calls and 4.9 million GST/HST credit and refund enquiries. Thirty-eight percent of calls for the CCTB and 36% of calls for the GST/HST credit and refunds either reached an agent or got into a queue—an improvement over performances of 25% and 32% for the previous year, but still short of our internal target of 40% to 60%. During peak periods, these numbers were as low as 29% for CCTB enquiries and 20% for GST/HST credit enquiries.

Another aspect of telephone accessibility is the time it takes to reach an agent from the queue for service. Almost 72% of CCTB callers and 77% of GST/HST credit callers reached an agent within two minutes in 2000-2001, short of our target of 80% within two minutes.

Exhibit 4a: Telephone Accessibility - Annual



<sup>\*</sup> Call accessibility tracks the percentage of telephone call attempts that reach an agent or get into a queue.

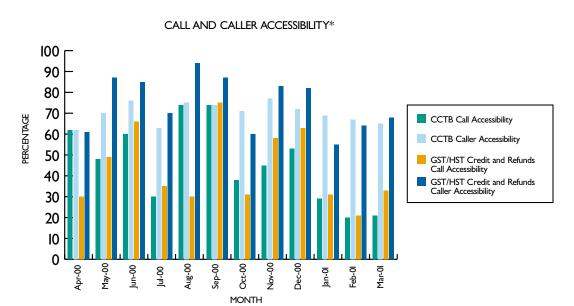


Exhibit 4b: Telephone Accessibility - Monthly

\* Call accessibility tracks the percentage of telephone call attempts that reach an agent or get into a queue. Caller accessibility tracks the percentage of individuals who reach an agent or get into a queue.

To improve telephone service, we will expand the 1-800 national service to provide a dedicated network for CCTB (June 2001) and GST/HST credit (January 2002) enquiries. Clients will have interactive voice responses with the option to speak to an agent. During peak periods, we will redirect overflow calls to the spike centres. Our ultimate objective is to reduce the need for our clients to call.

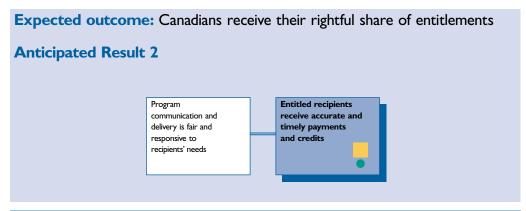
**Program delivery** – Successful delivery of all of our benefit programs requires regular and dependable payments to foster trust and meet our clients' needs.

Payments made during the past year were seamlessly adjusted for revised income calculations, changes to family circumstances, or legislated changes. For example, the BC Family Bonus, Saskatchewan Child Benefit, and Nova Scotia Child Benefit were reconfigured for July 2000. Clients received explanations of their benefits, including the source of the payment at the beginning of the benefit cycle and any adjustments.

We have started re-designing the GST/HST credit program and delivery system to improve fairness and ensure clients receive their full entitlements. Within two years, the revised system will be more responsive to changes in family circumstance during the benefit year. It will also provide stronger controls for benefits paid in respect of children, improve payment accuracy, and, where appropriate, align with the CCTB program.







#### Conclusion

Canadians should be able to depend on receiving the right amount of assistance at the right time. Overall, for 2000-2001 we are satisfied that we met our desired level of performance for this result.

## **Highlights**

**Accuracy** – To deliver accurate and timely benefit payments, benefit rolls must be reliable and up-to-date. One measure of our performance in this area is the rate of internal processing errors. For 2000-2001, our rate was within our standard of 2%.

There are many other factors that can affect the accuracy of payments. Substantial work has been done to ensure the accuracy of benefit rolls and identify and quantify areas of non-compliance.

Clients who feel they have not received the correct amount of benefits are encouraged to contact the CCRA. Corrections activity has decreased over the years, even though the value and number of payments have increased. We monitor production to provide reasonable assurance that cheques are accurate before they are mailed.

To enhance our level of assurance, we have devoted additional resources over the past year to program validations and to implementing a data warehouse and data marts. To support payment accuracy, we:

- carry out validation activities to distinguish high-risk clients from those who voluntarily comply;
- adjust individual accounts, where warranted;
- measure rates of non-compliance using statistical samples; and
- correct overpayments and underpayments.

We use general validations to assess areas of risk and correct errors. We use targeted validations to address high-risk claims. In 2000-2001, projects included a general validation of children over 15 years of age and a targeted review of the consistency of the number of children reported by households that claimed both the CCTB and the GST/HST credit.

In 2000-2001, we reviewed about 104,000 cases under our general and targeted validation programs, and we processed about 29,000 adjustments. These reviews represented 94% of the 110,000 planned validations. Since our Validations and Control group is relatively new, our objective for the next year is to have a stable workforce in place to complete all planned validations.

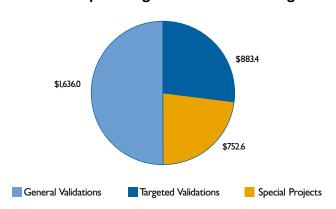


Exhibit 5: Benefit Spending on Validation Programs (\$ 000)

The Benefit Programs Decision Support System (BPDSS) has been developed to enhance our validation programs by identifying problem areas, determining trends, and targeting areas (e.g., marital status—the basis for determining family income) that need more review. As part of the BPDSS, we are developing a data warehouse environment. The data warehouse will allow us to increasingly focus resources on areas of greatest risk. Last year, data marts improved our spousal account-matching program, supported better business decisions, generated performance results, and supplied information to the provinces and territories. Our aim was to improve client data accuracy and our knowledge of these tools to better identify and address areas of risk in the future while recognizing that there are legislated privacy considerations.

BPDSS will facilitate ad hoc queries for a variety of child and tax information and improve the accuracy of program data. The first two phases of BPDSS, operating since April 1999 and April 2000, are the main source of the validation workload. Enhancements in 2000-2001 included developing data marts for the Disability Tax Credit (DTC) and for CCTB entitlements.

Since the DTC is a very complex, sensitive program that requires a high level of accuracy and consistency, all claims must be reviewed before approval. We deny an average of 15% of claims. An aging population and recent program enhancements have increased the number of claims. This creates a significant challenge to effectively maintain this program at the current funding levels. Some restructuring of the system and the new data mart helped protect the revenues involved while maintaining a high level of service to persons with disabilities.



To prevent the potential hardship of an interruption of benefits, contingency payments are made to clients who file late, but who are expected, based on historical information from prior-year returns, to remain entitled. Sometimes, this practice, or another error, may result in a CCTB overpayment. CCTB overpayments also result when clients advise of changes in their eligibility after the fact (for example, changes in child custody, marital status, etc.) or because of our validation and control efforts. The overall level of the overpayment debt represents about 1.7% of the total annual benefit payments, or about \$116 million.

Since this is a substantial amount of debt, we have undertaken a number of debt reduction measures, including automatically offsetting CCTB debts against T1 refunds and other credits. In addition, in 1998 we reduced the number of contingency payments we make to alleviate possible interruptions in benefits from two to one. The CCTB Collections Inventory was automated in February 2000 and the Collections Call Centre in Ottawa now handles CCTB debts under \$1,000. GST/HST credit overpayments remain on clients' GST/HST credit accounts, allowing us to maintain better control and provide a detailed analysis. The new Validation and Control projects and the additional field resources allocated to them are contributing to the increased identification of overpayments.

For other services, HRDC and the CCRA have developed joint initiatives. These include guidelines and training material for handling complex cases of possible Employment Insurance (EI) fraud or abuse because of their potential impact, high profile, or volatility. Programs are in place to validate information and ensure that earnings and CPP contributions are posted correctly on client files at HRDC. By detecting and correcting CPP and EI contributions on deficient T4 slips, CPP information to HRDC is improved, as is compliance. During 2000-2001, the CCRA partnered with HRDC and the Régie des Rentes du Québec to successfully resolve over 400,000 backlogged cases of Canada Pension Plan/Quebec Pension Plan (CPP/QPP) duplicate postings. This corrected situations that could have resulted in pension overpayments or altered the billing between the CPP and the QPP. Further, we are committed to supporting our federal partners in finding better ways to ensure that all potential recipients are made aware of benefits under the Old Age Security and Guaranteed Income Supplement programs, while respecting privacy legislation.

**Timeliness of payments** – We are committed to ensuring that clients receive their proper entitlements on time. According to our information, we estimate over 98% of payments (34 million CCTB payments and 33 million GST/HST credit payments) were accurately calculated and over 99% were issued on time during 2000-2001. We co-ordinate with Public Works and Government Services Canada (PWGSC) to make sure Canada Post delivers these payments on the required dates.

A sample of CCTB applications drawn from March 2000 indicates we are meeting our published service standard of processing 98% by the end of the second month after receipt. Because provincial child-tax related benefits are linked to the CCTB systems, we are confident that these are also paid on time.

GST/HST credit applications are contained on and processed with the T1 return. During 2000-2001, we processed 98% of all the T1 returns that were filed on time by mid-June. Achieving our processing targets for the CCTB application and T1 returns positions us to begin the benefit year on a timely basis.

**Account maintenance** – Updating benefit rolls to correct account information also affects timeliness. Our target for the CCTB, provincial/territorial programs, and the GST/HST credit is to process 98% of adjustments within 20 days. In 2000-2001, we processed 76% within this timeframe, a significant improvement over our 1999-2000 performance (57%), but well below our target.

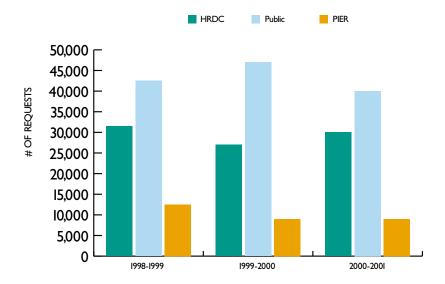
As for other services, we collect CPP/EI premiums and provide Canadians with fair, impartial, and reliable rulings and related information on the CPP and EI programs on behalf of HRDC. The CCRA responded to 75,000 requests for rulings last year. Rulings are an important part of ensuring all Canadians are treated fairly regarding access to these social benefit programs. This service also gives the public better information, which in turn fosters voluntary compliance with CPP and EI legislation.

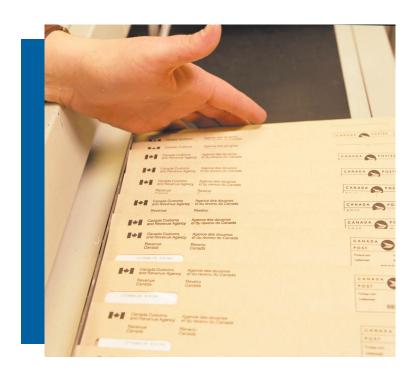
Under our Memorandum of Understanding (MOU) with HRDC, we are committed to processing 85% of HRDC's approximately 28,000 annual requests for rulings within 15 days for cases where a claim is pending, and in 31 days for cases where no claim is pending. Our completion rate within these timeframes for fiscal 2000-2001 was 81%. We did not meet our target because of the implementation of a new Case Management System that had a significant learning curve for our staff. However, during the last six months of 2000-2001, our completion rate reached 87%, demonstrating considerable improvement. We are currently working with HRDC to develop an electronic link between our operations to speed up the processing of rulings requests.

While the MOU with HRDC includes commitments on the timeframes for processing HRDC ruling requests, it does not set any timelines for requests that are received from the public or generated by the Pensionable and Insurable Earnings Review (PIER) process. However, our internal targets are to complete PIER requests within 90 days of receipt, and requests from the public within 31 days. Completion rates were 54% for PIER and 59% for requests from the public. Implementing the Case Management System affected these workloads just as it did HRDC ruling requests. However, after the first five months of fiscal 2001-2002, on-time completion has increased to 88% for PIER and 70% for requests from the public. In addition, as part of developing the Balanced Scorecard system, we are analyzing these workloads to ensure that realistic and appropriate targets are in place.



Exhibit 6: CPP/EI Ruling Requests







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

## **Anticipated Result 3**



#### **Conclusion**

The CCRA has made sound progress in year one of a multi-year program to expand partnerships with the provinces and territories. We have met all our commitments for the delivery of benefits and other services for our federal, provincial, and territorial partners, including for the development of service framework agreements.

#### **Highlights**

Our large and efficient processing system gives us the flexibility to adapt to our partners' new and evolving requirements and deliver ongoing benefit programs on a timely basis. Our performance assessment is based on management judgement supported by reasonable data quality.

Ongoing programs – We have continued to develop and administer new provincial/territorial programs using existing GST/HST credit and CCTB delivery infrastructures, adapting them to administer unique provincial business rules to determine eligibility for income, family status, residency, or tax-filing status. We have negotiated special arrangements for payment delivery through PWGSC, and we have provided dedicated client enquiries services through our existing agents and networks.

We provide program information data feeds to our partners. Data transfers are in place for the BC Family Bonus, the Saskatchewan Child Benefit, and the Newfoundland and Labrador Child Benefit, and will begin for the Nova Scotia Child Benefit in July 2001. These child benefit programs provide a secure source of support and help reduce child poverty in Canada.

We also provide data feeds to other provinces and federal departments to enable them to deliver a number of programs the CCRA does not itself administer.



#### Benefit Programs and Other Services

The National Child Benefit Supplement (NCBS) data transfer provides the operational backbone for the inter-governmental National Child Benefit initiative. New electronic interfaces have improved service delivery, providing key information quickly and securely and enabling closer synchronization of federal and provincial/territorial programs, while meeting all confidentiality requirements.

In September 2000, we arranged an independent survey of the provinces and territories that receive data on CCRA-administered child and family benefit programs (including the CCTB) and NCBS data. The results indicate a good level of satisfaction, with data considered accurate (78% were very satisfied or satisfied), comprehensive (67% very satisfied or satisfied), and timely (67% very satisfied or satisfied).

We administer the Refund Set-Off program under which outstanding debts owed by individuals to our federal, provincial, and territorial partners are offset against income tax refunds, GST/HST credit payments, and provincial tax credits (\$100 million was offset last year).

New business – In 2000-2001 we implemented the Saskatchewan Sales Tax Credit and reconfigured provincial child and family benefit programs as well as non-recurring programs to almost 15 million recipients. This included the Ontario Taxpayer Dividend (over 5 million recipients), Alberta's Energy Tax Refund (over 2 million recipients), and the \$1.5 billion Relief for Heating Expenses program (8.7 million recipients). We also developed another provincial payment program—the British Columbia Energy Rebate—issued in May 2001 and provided a data transfer to Newfoundland to support its heating fuel rebate program. Overall, we met timeliness and accuracy goals. However, interpreting eligibility criteria for fuel rebates generated more enquiries than we anticipated.

We have been working on service arrangements with workers' compensation boards (WCBs). We already partner with the WCB of Nova Scotia to offer businesses one-stop service for CCRA source deductions and WCB payments. A similar initiative is underway in British Columbia, and interest has also been expressed by Prince Edward Island, Newfoundland, Yukon, Saskatchewan, and Manitoba.

In accordance with the *CCRA Act*, the Commissioner provided the first annual reports to the provinces and territories and has offered to meet with each province or territory. As well, Service Management Framework agreements have been signed with four provinces and a territory, and negotiations are underway with the remaining provinces and territories.

## The Road Ahead

In light of the above discussion of our performance, we will undertake the following in 2001-2002 to improve our performance:

Planned Results	Related Activities	Targeted Completion Dates
Improved telephone accessibility	Implementation of I-800 networks for CCTB and GST/HST credit clients Communication of related public service telephone standards adapted from existing internal performance targets	June 2001 (CCTB) January 2002 (GSTC)
New service standards	Implementation of account maintenance and validations and controls standards	2001-2002
Individuals able to make changes to personal data via the Internet	Implementation of a GOL Pathfinder project. Related plans include offering self-help options, such as the ability to apply for benefits online and review benefit accounts	February 2002
Children's Special     Allowance (CSA) on the     Internet	Increase in the number of children in pay from CSA electronic clients to 50% and increase in the percentage of CSA electronic transactions processed automatically to 75%	2001-2002
Improved delivery of GST/HST credit program and shortened response times	GST/HST credit responsiveness initiative to improve fairness, help clients receive full entitlements, adjust benefits in a timely manner to reflect changes in circumstances, and provide more consistent administration and payment accuracy	Initial changes July 2001 Major changes July 2002
Improved DTC program	Implementation of new provisions in respect of life-sustaining therapy and improved claims validations for Disability Tax Credit	2001-2004
Improved client awareness and satisfaction	Follow-up client satisfaction survey	July 2001
Simplified WCB     administrative processes     and improved cash flow     for businesses	For Nova Scotia's WCB, provision of more payment options, co-ordination of payment dates. Ongoing WCB development with other provinces.	2001-2004
Improved performance data, targeted validation and control	More effective use of the Benefit Programs Decision Support System and the automated capabilities of the data warehouse and related data marts	2001-2004
Meet timeframes established in MOU with HRDC for CPP/EI rulings	Effective use of new Case Management System	2001-2002
Demonstrate reduction in overall costs to taxpayers	Develop a model for demonstrating cost savings	2001-2004
Effective performance management	Implementation of the CCRA performance measurement framework for benefits	2001-2004



### **Rating System**

- Anticipated results met
- Rating is based on good data quality Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly met
- Rating is based on reasonable data quality Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly not met
- Rating is based on weak data quality Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods



## **About Customs Services**

Customs provides policies, programs, procedures, and functional guidance for processing commercial goods and travellers. Its primary responsibilities are to monitor and control the import and export of controlled and restricted goods, interdict contraband, prevent the entry of prohibited materials and inadmissible and undesirable persons, and administer domestic and trade legislation. The delivery of customs services is divided into five key areas: border management; post-release verification; client services; special import measures; and international relations.

Customs is responsible for the *Customs Act* and the *Customs Tariff*, and administers Canadian laws governing international trade and travel on behalf of other federal, provincial, and territorial government bodies such as the departments of Finance, Justice, Health, Transport, Citizenship and Immigration, Foreign Affairs and International Trade (DFAIT), the Solicitor General, Statistics Canada, the Canadian Food Inspection Agency, and liquor control boards.

Customs is also responsible for administering domestic border and trade legislation and international trade agreements such as the North American Free Trade Agreement and the Convention on International Trade in Endangered Species (CITES). We also participate in a number of international fora such as the World Trade Organization (WTO), the World Customs Organization (WCO), the United Nations (UN), and the Asia Pacific Economic Cooperation (APEC).

Modernizing our customs services began in 1998 with the release of the *Customs and Trade Administration Blueprint*. The Blueprint discussion paper enabled us to do in-depth consultations with our clients, stakeholders, and employees. We used the information from these consultations to develop the *Customs Action Plan*, a business transformation program launched by the Minister in April 2000. The Blueprint and Plan are available on the CCRA's Web site at www.ccra.gc.ca.

### **Business Line Spending**

The 2000-2001 operating budget for the Customs Services business line was \$515 million, representing 16% of the total CCRA budget.

**Exhibit 1: Business Line Spending** 

CUSTOMS SERVICES	1998-1999	1999-2000	PERCENTAGE INCREASE	2000-2001	PERCENTAGE INCREASE
Planned Spending <sup>1</sup> (\$000)	406,708	422,658	3.9%	460,138	8.9%
Allocation of Authorities <sup>2</sup> (\$000)	457,625	483,226	5.6%	515,430	6.7%
Actual Spending (\$000)	457,346	479,302	4.8%	495,885	3.5%
Planned FTEs	7,480	7,559	1.1%	7,918	4.7%
Total FTE Authorities	7,629	7,811	2.4%	7,992	2.3%
Actual Number of FTEs	7,309	7,001	-4.2%	7,206	2.9%

#### Note

Details on our performance against overall authorized spending for the CCRA as approved by Parliament are provided in Table 8 of Schedule C on page 2-163.

The 7,206 FTEs (full-time equivalents) translate to approximately 8,000 customs employees at peak across Canada in Headquarters and the six regions: Atlantic, Quebec, Northern Ontario, Southern Ontario, Prairie, and Pacific. There are 147 land border offices, 67 inland alternative service sites, 187 airports (including 13 major airports), 76 vessel clearance stations (including three major marine container gateways), and 15 rail sites, for a total of 492 locations, most of which are staffed, while others are serviced from other offices.

During 2000-2001, customs processed over 111 million travellers, released over 23 million courier shipments, processed 10.6 million commercial releases, collected over \$3 billion in import duties and \$23 billion in GST/HST, served 161,000 commercial importers, and processed \$357 billion in imports.

<sup>&</sup>lt;sup>1</sup> Main estimates

<sup>&</sup>lt;sup>2</sup> Main estimates + supplementary estimates + year-end adjustments; i.e., the full amount available to spend





#### **Exhibit 2: Customs Services Performance Report Card**

#### **CUSTOMS SERVICES** Expected outcome - Canadians' health, safety, security, and business interests are protected, and Canada's competitiveness is facilitated through our borders ANTICIPATED RESULTS ACTUAL RESULTS AS DEMONSTRATED BY Our ratings Annex pg. Improved levels of service to travellers • Legislative changes sought to improve service delivery and implement 2-81 and traders satisfy their needs and systemic penalties encourage their voluntary compliance · Proactively streamlined customs services so that clients receive more options 2-82 with trade and border laws to better meet their needs · For the most part, improved stability, reliability, and accessibility in all 2-82 service delivery modes Responsible border management that • Random samples suggest that travellers and traders generally comply with border 2-87 minimizes the compliance burden, while legislation; however, these samples are statistically weak preserving the integrity of programs • Development and launch of the Compliance Improvement Plan 2-87 · Steps taken through the introduction of legislation that intends to improve 2-81 enforcement by offering a wider range of sanction options • Frameworks for post-release verification and performance measurement need 2-86 significant improvement • Increased anti-dumping investigations to protect Canadian business 2-86 • Proactively supported preventive strategies to guard against health, safety, 2-90 Prompt response to health, safety, and security risks through effective and security risks (e.g., foot-and-mouth disease, Summit of the Americas) intelligence and collaboration with other • Increased levels of detection of drugs and other government department(OGD)controlled goods 2-88 enforcement and health partners • New officer powers authorities introduced in select areas and contributing 2-89 to increased protection against risks to Canadians 2-88 • Memoranda of understanding (MOU) with our domestic and international partners and other government departments (OGDs), needs improvement including to address priority setting and results reporting Certainty and consistency for exporters • Provided technical assistance to support modernization of customs in Asia and 2-92 and for Canadians travelling abroad the Americas (e.g., APEC, FTAA) and worked with the G7 Group to standardize and harmonize our trade data and technology standards • Active in World Customs Organization (WCO) and its committees for improvement and 2-91 greater transparency of customs practices around the world · Challenges still exist with respect to training of client services and compliance Knowledgeable and skilled workforce 2-93 verification officers • Significant improvements have been made in training customs inspectors 2-93 • Advances achieved according to our 2000-2001 to 2002-2003 Corporate Business 2-95 Core business is under transformation to better meet our mission Plan (which includes the Customs Action Plan)

## Evaluating Our Overall Performance

The performance scorecard (Exhibit 2) provides our rating of Customs Services performance for 2000-2001 against five anticipated results in support of one expected outcome.

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

Ratings are provided for each anticipated result and show whether our performance exceeded, met, or fell short of the rating. We provide a separate rating on the quality of the information upon which we based the assessment.

As with other business lines, we assess our performance against two themes: **managing the compliance continuum** and **innovating for the future**. Overall we believe that we have mostly met our expected outcome. However, this conclusion is based on weak data quality in a number of areas and is based on systems such as the G11 performance information system. We have received positive feedback from travellers, other government departments (provincial and international), and the trade community. While this feedback is encouraging, we acknowledge the importance of substantiating these results quantitatively.

Since Customs operates in a "real time" environment, we face the challenge of responding to the constant fluctuations in border traffic volumes, and we have successfully invested in processes to facilitate cross-border trade and travel while maintaining adequate levels of protection. However, we need to improve our ability to measure and evaluate impacts. We need to review our methodology—particularly the required thresholds for adequate sampling sizes—to ensure the statistical validity of our results and conclusions for the future. As well, we need to develop performance information to demonstrate the results of our participation in many international committees.

Reports by the Office of the Auditor General (OAG) and internal performance reports have identified the limits of our current evaluation mechanisms. We intend to upgrade our technology for validating our performance by introducing the Balanced Scorecard methodology as a pilot project to support information management, and by upgrading our data collection systems.

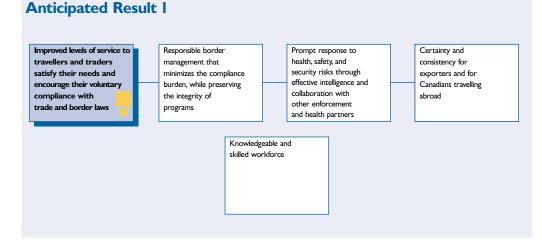
The lack of a mature performance measurement framework does not mean that Customs is not well managed. We simply lack the quantitative evidence to confirm the qualitative evidence from our clients and partners, and management's judgment.



## Discussing Our Performance

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

# Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality



#### **Conclusion**

We believe that we mostly met expectations to improve levels of service to travellers and traders to satisfy their needs and encourage their voluntary compliance with trade and border laws.

#### **Highlights**

During 2000-2001, we made progress in seeking legislative changes to improve service and compliance and in introducing new services, including a re-engineered automated telephone information system. However, legislative change was delayed, which had a negative impact on implementing some key *Customs Action Plan* (CAP) commitments. As well, we fell short in improving the stability of our electronic data platform for our commercial clients. An independent survey suggests that clients are generally satisfied with our published service for processing commercial shipments and travellers.

**Legislative change** – Revisions to the *Customs Act* were introduced in the Senate in March 2001. These amendments would allow the CCRA to implement the CAP launched by the Minister in April 2000. In particular, the CAP would enable the CCRA to administer a new structure of monetary penalties, the Administrative Monetary Penalties System. This key initiative will improve overall compliance as well as transparency and fairness for traders. The CAP will also help the CCRA streamline customs services so that clients receive more options to better meet their needs, such as the Expedited Passenger Processing System which would allow pre-approved low-risk travellers to clear customs more quickly.

**Electronic service delivery** – We advanced the use of electronic service delivery to improve accessibility, reliability, and stability through electronic, telephone, and other communications channels, as illustrated by the following three initiatives:

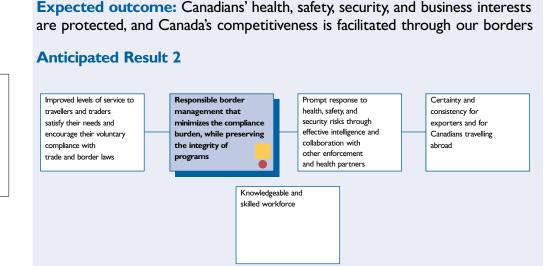
- Automated Customs Information Service (ACIS) In June 2000, we implemented
  a re-engineered automated telephone service using state-of-the-art technology on a
  1-800 network. The system provides seamless service through two call centres in Saint John,
  New Brunswick, and Winnipeg, Manitoba. Information scripts are now updated faster,
  which ensures clients receive more accurate information. ACIS can now measure
  call accessibility rates. Current reports indicate a high accessibility rate at 93%.
- Electronic Data Interchange (EDI) In 2000-2001, 57% of information for commercial releases was transmitted through EDI for processing through the ACROSS system. While adjustments to EDI were made to improve turn-around times for our clients, problems exist with the continuous availability of the system. We are working with our Information Technology Branch to develop workable solutions to reduce outages, which rose to 95 hours in 2000-2001 from 60 hours in 1999-2000.
- Canadian Automated Export Declaration (CAED) CAED permits our clients to complete and submit export declarations electronically, making compliance easier and reducing paper burden. CAED allows screening of goods before shipping, in support of our international commitments and foreign policy objectives, such as the *International Trade and Armament Regulations*. A mail-out campaign to over 6,000 businesses set a target of bringing an additional 500 exporters onto the CAED system. By March 31, 2001, there were 661 new CAED participants—70% more than the previous fiscal year.

**Client satisfaction survey** – Seventy-five percent of respondents to an independent survey by Cogem Research Inc. felt the CCRA was doing a "very good" or "good" job with respect to customs. We are also exploring new quantitative evaluation methodologies for measuring client satisfaction.



**Remote Ports Program** – This program, a joint initiative under the Canada/U.S. Accord on our Shared Border, extends hours of service and increases border security through card-reader technology and camera surveillance equipment. In 2000-2001, 5 of the 21 original remote ports provided extended hours of service to 1,000 registered participants. Video surveillance equipment is used at 13 other locations, successfully identifying after-hours transgressions.

**Processing times** – For commercial processing, in 2000-2001, 84% of all EDI releases were processed through the Accelerated Customs Release Operations Support System (ACROSS) in less than 45 minutes, which is our service standard. Ninety-five percent of all non-EDI (paper) releases were processed in less than two hours, another of our service standards. Ninety-seven percent of our land border (highway) travellers were processed within our service standards: 20 minutes on Friday to Sunday and holidays and 10 minutes on Monday to Thursday (see Attachment 1).



#### Conclusion

We believe we mostly met the expectations of Canadians for responsible border management by ensuring that people and goods crossing our border did so in accordance with all Canadian laws and regulations. Random samples taken in 2000-2001 suggest that travellers and traders generally comply with border legislation; however, these samples are statistically weak. We need to significantly improve our ability to measure performance and our frameworks for post-release verification.

#### **Highlights**

Anticipated results med Good data quality

Anticipated results

Weak data quality

Reasonable data quality

mostly met

As outlined in the CAP, we take a risk-assessment approach, streamlining the movement of low-risk traffic and focusing our resources on activity of high or unknown risk. For travellers, this means developing processes to obtain information before arriving at our borders.

The **Expedited Passenger Processing System** (EPPS) being developed in partnership with CIC will allow pre-screened air passengers to undergo an automated primary inspection process using biometric technology. Enrollment will be phased in at major Canadian international airports in 2002.

In November 2000, a harmonized highway border pass pilot project called **NEXUS** was introduced at the Sarnia, Ontario/Port Huron, Michigan, crossing, under the auspices of the Canada/U.S. Accord on our Shared Border. Low-risk, pre-approved travellers use dedicated lanes. Travellers apply for a special access card through a single application that must be approved by customs and immigration in both countries. NEXUS pass-holders bypass normal customs and immigration questioning but are still subject to random checks. In the first six months of operations, about 3,000 access cards were issued, although the potential target population was 4,000 to 6,000. Traffic in the NEXUS lanes into Canada rose steadily during the first few months, reaching a weekly average of 1,700 vehicles by March 31, 2001. Once fully implemented and building on the gains realized thus far, NEXUS will offer substantially greater border security than regular inspection processes because all participants will undergo a vigorous screening process in advance, and their backgrounds will be carefully examined by both Canadian and American Customs and Immigration Officials, prior to being accepted in the program.



Significant progress was made with the **Integrated Primary Inspection Line (IPIL)** initiative to improve border compliance and protection. Implemented in 239 lanes, both in airports and in bus lanes at land border sites during 2000-2001, the IPIL system provided information not previously available to front-line staff, improving query rates by inspectors at all 25 sites, including 100% improvement at some major airports.

In the area of commercial trade, in preserving program integrity, consistent with our obligations under the International Convention on the Harmonized Commodity Description and Coding System, and in response to industry concerns, the CCRA achieved positive results on two major tariff classification issues—softwood lumber and butteroil blends. Internationally, the softwood lumber issue was fought on two separate fronts. First, the WCO HS Committee ruled in our favour on the classification of a specific type of construction grade lumber. The two WCO rulings supported Canada's position over that of the U.S. Second, the arbitration ruling in our favour was issued by a bilateral arbitration panel, under the rules of the Canada/U.S. Softwood Lumber Agreement. On the domestic front, the Federal Court of Canada upheld the previous CITT majority decision in the CCRA's favour with respect to our classification of butteroil blends. These rulings reinforced our commitment to a fair and equal international trading system.

We are about to implement programs that will expedite the movement of low-risk commercial goods. The post-release verification program will facilitate the movement of goods across the border by verifying compliance with trade requirements after the goods have entered the country.

Under the new **Customs Self-Assessment (CSA)** initiative, shipments entering Canada will be cleared immediately at the border, if the importer, carrier, and driver have been pre-approved. In the coming months, importers who qualify for CSA will be able to send their accounting data to customs electronically, directly from their normal business records. As of March 31, 2001, we had received applications from approximately 4,500 drivers, 39 carriers, and one major importer. Full implementation was postponed until October.

The Administrative Monetary Penalty System (AMPS) will encourage compliance through a series of penalties graduated according to the type and severity of the infraction. Extensive consultations done in fiscal 2000-2001 with industry representatives are reflected in the Master Penalty Document, which sets out the contraventions and corresponding penalties amounts. An automated support system currently being developed will give customs officers detailed information about each contravention. AMPS allows importers to address any non-compliance long before maximum penalties are applied.

In 2000, we launched the **Compliance Improvement Plan (CIP)**, a comprehensive, internal, integrated approach to compliance management that reflects the directions articulated in the CAP, the *Corporate Business Plan*, and the Speech from the Throne. The CIP, developed with our partners, brings together for the first time all key elements of customs program compliance under one umbrella of discipline and one set of national priorities. The CIP consists of three components: the **Border Management Plan**, the **Post-Release Verification Plan**, and the **Client Service Plan**.

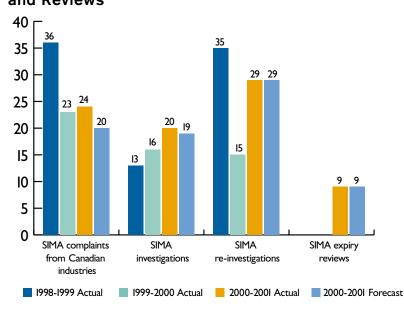
The **Border Management Plan** interprets and applies risk management intelligence at the front line. It focuses on areas of higher and unknown risk, although random examinations will continue to promote compliance. The Plan includes priorities related to contraband (narcotics, restricted firearms, child pornography and other obscene material), trade and trade-related requirements (marking, strategic controlled goods, and import and export regulations), health and safety (hazardous waste, diseased food, and infectious diseases), and people (illegal migrants, people smugglers, and terrorists).

The **Post-Release Verification Plan** focuses on key industries where there is risk of non-compliance with trade and trade-related requirements. The 2000-2001 Plan included the verification of 150 companies that imported steel, footwear, textiles/apparel, and Tariff Rate Quotas for milk proteins and certain types of chickens. Eighty verifications were completed by March 31, 2001, and an analysis will be included in next year's annual report.

Priority areas also include all imports relating to 43 findings of injury under the *Special Import Measures Act* (SIMA). The CCRA and the Canadian International Trade Tribunal (CITT) administer the SIMA, under which Canadian industries can seek relief from foreign goods that are dumped into Canada or that are benefiting from subsidies, thus causing harm to Canadian producers. The CCRA initiates investigations and, if there is justification, determines the amount of dumping or subsidizing.

Eleven investigations were completed during the year involving the dumping or subsidizing of eight commodities from ten different countries. Three of these investigations covered two or more countries, resulting in a total of 20 country-specific actions (compared to five investigations completed last year resulting in 16 country-specific actions). As a result, anti-dumping and/or countervailing duties were placed on: x-ray contrast media, corrosion-resistant steel sheet, garlic, concrete reinforcing bars, carbon steel plate, appliances, stainless steel round bars, waterproof footwear, and corn.

Exhibit 3: Special Import Measures Act - Complaints, Investigations, and Reviews



Fifteen annual re-investigations resulting in 29 country-specific actions were also conducted to ensure the level of protection is current, as compared to five last year resulting in 15 country-specific actions.

Amendments to SIMA and the *Canadian International Trade Tribunal Act* turned over partial responsibility for expiry reviews to the CCRA starting April 1, 2001. We developed guidelines for the new activity, in close consultation with the CITT, and completed three reviews this year, on oil and gas well casing and carbon-welded pipe.

Improving the quality of service to traders and travellers has long been a top priority. The **Client Service Plan** is designed to foster voluntary compliance, ensure consistency in service delivery, and provide fair, equitable treatment for all clients, while supporting CCRA priorities. The Plan's objective is to help clients understand and meet their obligations. In the long-term, the goal is to increase electronic service delivery to improve efficiency, convenience, and accessibility, while reducing the reporting burden and compliance costs, including the use of the Internet. As the CSP progresses, client services will play a key role in disseminating information about non-compliance identified through post-release verification.

The first year of the **Compliance Improvement Plan** provided a learning opportunity from which we have derived two goals:

- to work in close collaboration with key OGDs to develop a more comprehensive and integrated approach as recommended by the OAG, to ensure their priorities are an integral part of our risk management program and that our verification processes effectively meet their needs and our objectives for efficient border services and trade administration. This will require revision of existing Memoranda of Understanding (MOU) to be completed within three years;
- to review our methodology, particularly the required thresholds for adequate sampling sizes, to ensure the statistical validity of our results and conclusions for the future. Currently, our only measures are obtained through random examinations of commercial shipments and travellers at selected border sites to identify possible non-compliance by mode of transport. This information is of limited value, other than as an indicator of program integrity. Exhibit 4 below provides a yearly comparison for both the traveller and commercial streams, based on the available information.

Random samples taken in 2000-2001 suggest that travellers and traders generally comply with border legislation; however, these samples are statistically weak. The compliance rate for travellers is 94% by air and 97% by land. For commercial processing the compliance rate stands at 96% (highway), 91% (air), 89% (marine container), 96% (postal), and 94% (courier). We need to significantly improve our ability to measure performance and our frameworks for post-release verification.

Exhibit 4: Rate of Compliance – Commercial and Travellers

COMMERCIAL	1999 - 2000	2000 - 2001	TRAVELLERS	1999-2000	2000-2001
Highway Commercial	96.3%	95.9%	Air	94.0%	94.0%
Air Commercial	89.0%	91.3%	Land	97.0%	97.0%
Marine Container	86.7%	89.0%			
Postal	91.5%	95.8%			
Courier	97.7%	93.8%			

are protected, and Canada's competitiveness is facilitated through our borders **Anticipated Result 3** Improved levels of service to Responsible border Prompt response to Certainty and health, safety, and travellers and traders management that consistency for security risks through satisfy their needs and minimizes the compliance exporters and for effective intelligence and encourage their voluntary burden, while preserving Canadians travelling compliance with the integrity of collaboration with abroad other enforcement trade and border laws programs and health partners Knowledgeable and skilled workforce

**Expected outcome:** Canadians' health, safety, security, and business interests

#### **Conclusion**

We believe we met expectations to respond promptly to health, safety, and security risks, but we need to improve collaboration with our partners to establish clearer priorities, performance expectations, and specific targets for risk management.

#### **Highlights**

Anticipated results met Good data quality

Anticipated results

Reasonable data qu

Weak data quality

**Risk management** – Risk management is crucial for identifying, evaluating, analyzing, and controlling potential adverse events. For Customs, this means developing factual information to support compliance and enforcement strategies focused on high-risk areas. The CCRA supports the Government's priority of strong and safe communities by preventing contraband and inadmissible and undesirable persons from entering Canada, as well as by monitoring the entry of controlled goods.

Many enforcement initiatives rely heavily on close working relationships with OGDs and agencies such as the RCMP, Canadian Security Intelligence Service (CSIS), and the Department of Justice, as well as close collaboration with international partners such as the U.S. Customs Service and the U.S. Immigration and Naturalization Service.

**Seizures** – In 2000-2001, we made 19,292 seizures with an estimated value of \$679 million, approximately 80% reflecting priorities in the Border Management Plan. These results are consistent with the previous year (19,283 seizures worth about \$660 million, 81% being contraband priorities).

We cannot definitively attribute the increased value of our contraband seizures to improved targeting, because we do not have measures that distinguish targeted results from non-specific or random examinations. Our more co-ordinated approach to risk management will include new tools, performance measures, and improved data capture to provide a better view of the overall effectiveness of our enforcement program.



**Exhibit 5: National Contraband Seizures** 

National Seizures by type of contraband	Type expressed as a percentage of total seizures			
Priority Commodities	2000-2001	1999-2000		
Drugs	33.6%	31.2%		
Alcohol	16.7%	18.5%		
Tobacco	10.5%	II.5%		
Weapons	10.5%	10.7%		
Jewellery	6.7%	7.0%		
Prohibited Material (incl. child pornography)	0.9%	1.3%		
Other Commodities	21.1%	19.8%		
Total	100.0%	100.0%		

Officers powers – In July 2000, new legislation gave customs officers the power to arrest individuals for violations of the *Criminal Code* such as impaired driving, outstanding warrants, possession of stolen property, and abduction. This power was introduced at 18 of 32 Phase I sites with the remaining sites planned for next fiscal year. To support the new authorities, new policies and procedures were implemented. Over 1,200 officers were trained to apply the augmented powers, and over 2,000 officers were trained in the use of force. This training contributes directly to the safety and security of Canadians. Mastering the use of force in conjunction with new tools such as protective vests, batons, and pepper spray, also helps ensure the health and safety of customs officers. Improving the security of our workforce was further enhanced by police response agreements at the initial sites. Delays have occurred in the Province of Quebec where police response agreements are still under negotiation.

**Missing children** – The *Our Missing Children* program is an important partnership with the RCMP, CIC, and DFAIT, where police forces and Canadian and international agencies locate and recover missing and abducted children. In 2000, the program returned 109 missing children to their families.

**Firearms** – In January 2001, on behalf of the Department of Justice we implemented the new firearms legislation which requires all non-resident travellers to report to customs any firearms they are bringing into Canada. We also were a major contributor to the UN Protocol against the Illicit Manufacturing of and Trafficking in Firearms, their Parts and Components and Ammunition, one of three protocols supporting the *Transnational Organized Crime Convention* that Canada signed in December 2000. In addition, we sponsored initiatives at the WCO to enhance controls over the international movement of firearms and to change the Harmonized Coding system to allow for more systematic coding of weapons being imported or exported from participating states and economic unions.

Crisis responses – In 2000-2001, we worked with the CFIA to prevent foot-and-mouth disease from entering Canada. Within 24 hours of notification from CFIA of an outbreak in the United Kingdom, we issued a national lookout to all customs offices to ensure that all importations of meat and meat products were referred to the CFIA. At airports, we increased questioning of travellers and made more referrals to CFIA. As a result, CFIA inspectors made 7,165 seizures in February and March 2001. In postal operations, we examined every parcel arriving from Europe. For example, at one customs mail centre, in two weeks in March, X-raying parcels resulted in the detention of over 125 kilograms of meat products, 100 kilograms of cheese, 38 plants, and even a litre of milk. With the CFIA, we continue to evaluate current measures and the risk, sustainability, and need for ongoing efforts.

Because of the high risk to national security and the threat of international terrorism associated with the Summit of the Americas in Québec in April 2001, we intensified border activities, working closely with DFAIT, CIC, and CSIS. As a result of customs referrals to Immigration, 444 individuals were refused entry to Canada—over three times the normal rate.

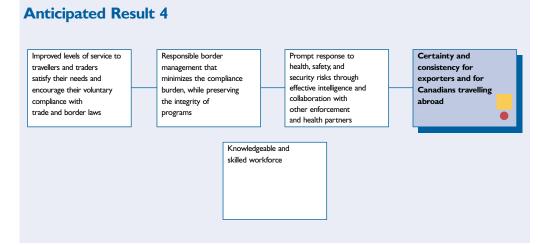
**Endangered species** – The CCRA is responsible for Canada's obligations under the Convention on International Trade in Endangered Species (CITES) to ensure that anyone importing endangered plants or animals has the required permits. Imports without permits are referred to Environment Canada. In 2000-2001, for example, customs officers seized bottles of pills containing musk deer, monkey pads, and antelope's horn, as well as bottles containing costus roots.

**Hazardous waste** – The CCRA collects, reviews, and cross-checks the prescribed documentation, including the Canadian Waste Manifest, which is forwarded to Environment Canada for its compliance verification. We also detain any hazardous waste shipments that do not comply with the *Export and Import of Hazardous Wastes Regulations*. An MOU outlines our respective roles and responsibilities for ensuring compliance with the *Canadian Environmental Protection Act*. In calendar year 2000, the CCRA collected 19,000 hazardous waste document packages and forwarded them to Environment Canada for compliance verification.



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

# Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality



#### **Conclusion**

We believe we mostly met expectations to promote certainty and consistency for exporters and Canadians travelling abroad through our extensive international efforts with organizations such as the WCO and APEC.

#### **Highlights**

**International agreements** – By negotiating international customs rules, requirements, and definitions, and promoting customs harmonization and simplification of standards, we provide greater certainty for business transactions between Canadian and foreign customs organizations. Canadian exporters want clear, uniform, and fairly applied customs requirements and rules — equivalent to the customs treatment foreign exporters receive in Canada — to ensure a level playing field. Once an international agreement negotiated by DFAIT is accepted, we are responsible for bilateral and multilateral negotiations of all customs matters. Further, we represent Canada in fora such as the WCO where international customs interpretations, policies, and procedures are negotiated.

**World Customs Organization** – In 2000-2001, the CCRA participated in the principal committees of the WCO, including the Harmonized System Committee, the Enforcement Committee, the Permanent Technical Committee (where e-commerce and technical interpretations are negotiated), and Technical Committees on the Rules of Origin and Valuation.

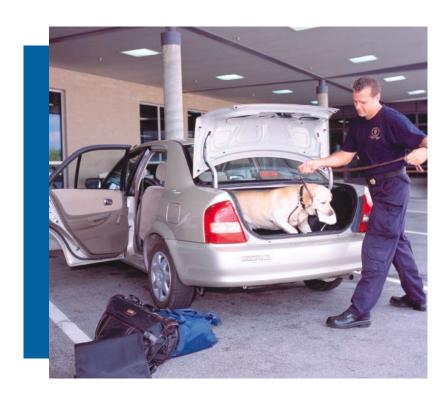
The CCRA was elected Vice Chair for the WCO Americas sub-group. In 2000-2001, we advanced a strategy for establishing an "Americas" position and a WCO action plan. DFAIT considered this to be an important step in the Government's strategy to promote a Free Trade Area of the Americas (FTAA).

Further to our work with the WCO, the CCRA represented Canada in the complex and technical negotiations of the Revised Kyoto Convention on the Harmonization and Simplification of Customs (Kyoto Convention). Canada acceded to the Convention in 2000-2001.

**Technical assistance** – The CCRA supports efforts to provide technical assistance to modernize and strengthen international customs administrations. In 2000-2001, we provided assistance to India, Jamaica, and APEC countries.

The CCRA is a full partner in the APEC Sub Committee on Customs Procedures (SCCP), promoting trade liberalization and harmonization throughout the Asia-Pacific region. The Sub-Committee offers its members technical assistance to develop uniform, harmonized customs procedures, policies, and interpretations. In 2000-2001, Canada successfully promoted the idea of SCCP developing a business forum where private-sector companies in Canada and abroad could regularly communicate directly with the SCCP. The CCRA also promoted an evaluation mechanism for technical assistance given to APEC economies, agreeing to apply it to APEC technical assistance projects throughout 2001-2002.

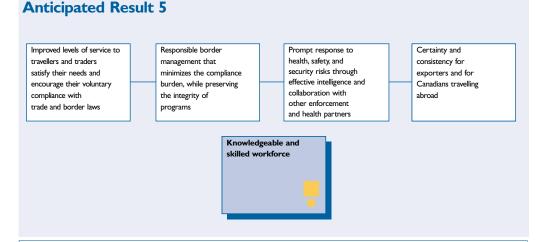
Free trade negotiations – The CCRA has been an active participant in discussions involving free trade with Costa Rica, Singapore, and Central America 4 (Guatemala, El Salvador, Nicaragua, and Honduras). A free trade agreement was signed with Costa Rica in April 2001 and further negotiations on aspects of Uniform Customs Regulations and a Customs Mutual Assistance Agreement began in 2000-2001.





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

# Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality



#### **Conclusion**

We believe we mostly met expectations to ensure a knowledgeable and skilled workforce with significant improvements made in training customs inspectors. However, challenges still exist for training client services and compliance verification officers although a comprehensive training program design has begun. We need to continue to implement training and learning efforts to develop the required competencies.

#### **Highlights**

**Learning strategy** – One of our key challenges is the on-going training required to support our client services and compliance verification officers, as well as our front-line customs inspectors. In 2000-2001, we developed a Learning Strategy to ensure that training and learning objectives are aligned with corporate and branch plans.

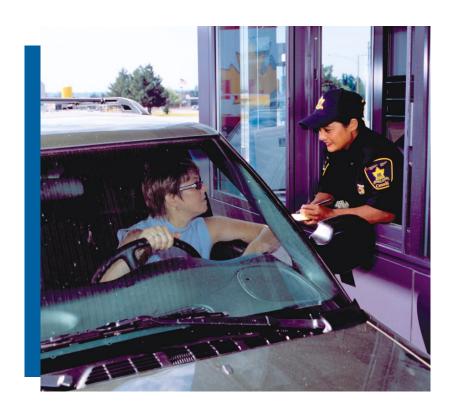
**Customs inspector training** – The revamped Customs Inspector Recruit Training Program increased its capacity to 435 recruits per year, facilitating future recruitment campaigns. A training plan was developed in 2000-2001 consisting of a curriculum of training courses with a complete listing of courses offered to the regions, allowing for better planning and a more cohesive approach to training.

**Management Renewal Program** – The Management Renewal Program delivered five national management development workshops to 90 managers in Headquarters and the regions. Topics included leadership, work planning, and conflict resolution.

**Client services/compliance verification officer training** – A project to design a comprehensive training program was begun in 2000-2001.

**Customs Superintendent Network (CSN)** – The CSN identified concerns in the workplace, developed ideas for resolving them, and participated in policy development and initiatives. The CSN Committee conducted a voluntary survey that identified the need for national training on customs legislation, authorities and policies, human resources management, and customs operations management. Development of the CSN Web site is underway to further support professional development, communication, and the sharing of best practices.

**Customs Human Resource Plan** – Customs has undertaken the development of an integrated Customs Human Resource Plan to define our workforce of the future (2005) and set strategies and action plans, including recruitment and retention strategies, a major future issue due to demographics.









#### **Conclusion**

We have met expectations for transforming our core business by launching the *Customs Action Plan* on April 7, 2001, to implement our new vision for border management and trade administration based on a risk management approach, greater use of new technology, and facilitated processing for pre-approved, low-risk travellers and goods. However, a number of key initiatives under the *Customs Action Plan* depend upon pending amendments to the *Customs Act*.

#### **Highlights**

**Customs Action Plan** – Legislation was introduced in the Senate in March 2001 to enable the implementation of the *Customs Action Plan* (CAP). Over the next four years, we will pursue a total of seventeen CAP initiatives. Currently, the three priorities are CSA, EPPS, and AMPS, all discussed earlier under Anticipated Result 2, in addition to IPIL and NEXUS. The major deliverables for the CAP initiatives are on track. For example, the NEXUS pilot was implemented in November 2000. Some slippage has occurred due mainly to the delayed passage of required legislation caused by the timing of the last election.

**Work in progress –** Work progressed on the following change initiatives under CAP during 2000-2001:

- **EDI Adjustment** Designed to enable clients to correct entry data on commercial imports through the Customs Automated Data Exchange (CADEX), this initiative will enter the planning stage in September 2001.
- Carrier re-engineering This initiative is in the detailed design phase and
  scheduled for implementation in 2003. It involves getting the right information at the
  right time to make informed decisions about whether to examine shipments at the
  first point of arrival. It protects Canadian society while rewarding compliant clients
  with predictable and expedited processing.
- Modernization of sufferance warehouses This initiative, scheduled for Phase I
  implementation in October 2001, will increase efficiency of clearing shipments through
  the electronic release notification system.
- Advance Passenger Information (API) A joint initiative of CIC and CCRA, API will allow the introduction of systems and processes to identify high-risk travellers and expedite low-risk travellers. A proof of concept pilot is expected to begin in January 2002.

- Integrated Customs System (ICS) ICS is an application framework that will initially blend the many different customs automated systems, databases, and technologies and over time replace them with common components to provide a consistent user-view and enhance access and sharing of information. To be phased in over five years, it will be the system architecture for all future Customs systems. The first phase will be implemented in the fall of 2001, and design and development work is underway for the other components.
- Global Enrollment System (GES) GES will provide the ability to enroll traveller and
  commercial clients into various Customs programs via one component, providing greater
  efficiency for our clients and reducing our risks when approving enrollment. This initiative
  was delayed in 2000 due to technical challenges in meeting the implementation timeframes
  for the CSA and the NEXUS pilot. In addition, the EPPS Registration component was
  delayed when the external partner withdrew from the project. Design work has continued
  and GES will be developed to support the enrollment requirements for the EPPS and
  NEXUS initiatives.

**Delayed projects** – Development work on two of the CAP initiatives has been delayed:

- G7 Standardization and Harmonization This project will promote certainty and
  consistency for Canadian exporters by harmonizing the data required for the import
  and export of goods and establishing a standardized electronic format for presentation
  of the information. Phase 1 was scheduled for implementation in January 2001.
  However, other initiatives took longer to develop than anticipated, and the G7
  schedule is under review.
- **Electronic One-Step** (formerly One-Step Electronic Process for Business) This initiative will improve service by giving the option to transmit release and accounting information electronically to the CCRA at the same time. However, delays in implementing CSA and AMPS have delayed this project.



## The Road Ahead

In light of the above discussion of our performance, we will be undertaking the following to improve our performance and enhance protection:

Planned Results	Related activities	Targeted completion date
Streamlined processes for low-risk travellers and traders while intensifying efforts with clients and goods of higher and unknown risk     Fair and effective sanctions regime	Implement the I7 <i>Customs Action Plan</i> initiatives	March 2005
More comprehensive and integrated approach to risk management, and quantitative compliance performance information     Improved compliance	Establish a mature Compliance Improvement Plan	March 2004
Effective performance data, and clear targets and service standards	Implement the new Performance Measurement Framework for the Customs Services business line and upgrade data collection systems	March 2004
A knowledgeable and skilled workforce	Implement our Learning Strategy with on-going emphasis on our Customs Inspector Training, the Management Renewal Program, the Client Services/Compliance Verification Officer Training program, and the Customs Superintendent Network	2001-2005
	Implement the Customs Human Resource Plan	2001-2005

We have made significant changes in the way we do business at customs and in the way we serve all Canadians—travellers and traders alike. Our shift to risk-based processes and a fair and effective sanctions regime will ensure that legitimate, low-risk trade and travel will be streamlined and higher-risk activity will be monitored and processed more closely. Our priority is to implement the *Customs Action Plan* in line with the detailed commitments and timeframes set out in that document.

Customs will remain an innovative leader, a valued partner, and an essential organization of people committed to excellence in client service. The customs program will adapt and respond to an ever-changing environment, working at Canada's borders to protect the health, safety, security, and business interests of Canadians and to facilitate Canada's competitiveness. Equipped with new tools and the invaluable experience and contributions of our partners, clients, and staff, we look forward to meeting new challenges in the future, taking pride in a job well done.



## **Attachment 1:**Service Standards in Customs

<b>✓</b>	Met or exceeded target
×	Target mostly met (met
	at least 95% of target)
Х	Target not met

Service	Public Standard	Target	Results 1998- 1999	Results 1999- 2000	Results 2000- 2001	2000-2001 compared to target
I. Release on minimum documentation (RMD) – EDI	45 minutes	100%		86%	84% see note	X
2. RMD – EDI machine release	5 minutes				see note	N/A
3. RMD – Paper	2 hours				95% see note	N/A
4. Pre-Arrival Review System (PARS) – EDI	requires I hour				see note	N/A
5. PARS – Paper	requires 2 hours				I00% see note	N/A
Land border traveller     wait-time (Customs     booth clearance)	I0 minutes Mon. – Thurs.	100%			97%	<b>*</b>
	20 minutes Fri. – Sun. & holidays	100%			97%	<b>*</b>
7. Land border traveller wait-time (payment of duty)	5 minutes Mon. – Thurs.				see note	N/A
	I0 minutes Fri. – Sun. & holidays					

#### **Explanatory notes:**

- **Standard 1:** The percentage given is for the releases processed on the ACROSS Worklist Platform within 45 minutes.
- **Standard 2:** The monitoring of the five-minute processing standard for machine release is currently under development.
- **Standard 3:** Sample for RMD paper releases was 5,668 and total population was 2,295,206. The sample was conducted over four days in June and November 2000.
- **Standard 4:** The current timing reports generated from the ACROSS system only monitor the ACROSS Worklist/Processing time for a transaction. As the Service Standard for PARS EDI includes the client transmission time, accurate data is unavailable at this time. We are currently examining processes to capture this information.
- **Standard 5:** Sample for PARS paper releases was 2,105 and total population was 1,252,310. The sample was conducted over four days in June and November 2000.
- **Standard 7:** Time studies of wait times for payment of duties and taxes have not been considered necessary, due to dramatic declines in small collections in recent years.

# Appeals



### **Rating System**

- Anticipated results met
- Rating is based on good data quality Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly met
- Rating is based on reasonable data quality Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly not met
- Rating is based on weak data quality Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods



#### **Appeals**

## About Appeals

The CCRA is responsible for managing one of the federal government's largest dispute resolution services. The CCRA's Appeals business line reviews contested decisions relating to income tax, GST/HST, excise tax, trade administration, customs, the Canada Pension Plan, and Employment Insurance issues. Clients who are not satisfied with the result of our review may appeal to the courts—or for trade administration issues, to the Canadian International Trade Tribunal (CITT).

> Our aim is to provide clients with a fair dispute resolution process, respecting Canadians' fundamental right to redress in their dealings with the government. A fair process fosters trust in the integrity of our tax and customs systems, which helps promote voluntary compliance with these systems.

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

At March 31, 2001, over \$8 billion (or about 3% of the revenues the CCRA collects on average each year) in income tax, GST/HST, and excise tax, and more than \$45 million in tariff and trade determinations, were being formally challenged. In addition, 4,628 customs and CPP/EI issues were being contested. Put together, this represents some 57,000 individuals and businesses exercising their fundamental right to redress. This statistic is down slightly from previous years due partly to a decrease in audit enforcement activities.

To support and strengthen the application of fairness principles in all CCRA programs, Appeals also co-ordinates the CCRA's Fairness Initiative. This includes overseeing the agency-wide application of legislative provisions for forgiving interest and penalties to clients in certain circumstances (e.g., hardship). Appeals is also responsible for the Voluntary Disclosures Program, which qualifying clients can use to correct past errors or omissions, and to report without penalty their tax, duty, and tariff obligations.

At March 31, 2001, over \$8 billion in income and **GST/HST/excise taxes** and more than \$45 million in tariff and trade determinations were being formally challenged.

## **Business Line Spending**

Appeals has an organizational structure intentionally separate and distinct from all other lines of business to enhance its impartiality. It is also the CCRA's smallest business line representing 2.3% of the total CCRA budget. In 2000-2001, its actual spending was \$71 million, or some \$7 million less than forecast (see Exhibit 1). Difficulty in staffing, including an inability to attract all needed human resources on a timely basis—9.3% fewer employees than planned —accounted for much of the spending shortfall.

**Exhibit 1: Business Line Spending** 

Appeals	1998-1999	1999-2000	Percentage Increase	2000-2001	Percentage Increase
Planned Spending <sup>1</sup> (\$000)	62,328	67,020	7.5%	68,332	2.0%
Allocation of Authorities <sup>2</sup> (\$000)	66,928	73,848	10.3%	78,388	6.1%
Actual Spending (\$000)	66,883	69,008	3.2%	70,989	2.9%
Planned FTEs	1,218	1,280	5.1 %	1,272	-0.6%
Total FTE Authorities	1,247	1,310	5.1 %	1,217	-7.1 %
Actual Number of FTEs	1,082	1,123	3.8%	1,098	-2.2%

<sup>&</sup>lt;sup>1</sup> Main estimates

Details on our performance against overall authorized spending for the CCRA as approved by Parliament are provided in Table 8 of Schedule C on page 2-163.

**Exhibit 2: Appeals Performance Report Card** 

			APPEALS			
	Expected outcome – Canadians r	eceive an impa	artial and timely review of contested decisions through our redress s	ystem		
	ANTICIPATED RESULTS	Our ratings	ratings ACTUAL RESULTS AS DEMONSTRATED BY			
	Transparent, accessible, timely, and consistent redress mechanisms promote fair and impartial treatment	•	<ul> <li>Clients are aware of and are provided with sufficient information on their rights to redress</li> <li>Improvements needed in providing information on case status and audit working papers pertaining to contested assessments</li> <li>Disputes have not been handled expeditiously</li> <li>The majority of our income tax and GST/HST/excise clients agree with the outcome of our redress system</li> </ul>	2-104 2-105 2-108		
	Handling of fairness provisions is consistently applied across programs and regions	•	Appeals Branch is the functional lead for fairness across all business lines within the CCRA Appeals Branch's share in waiving or cancelling interest and penalties under the fairness provisions amounted to approximately \$25 million in 2000-2001 (an estimated \$210 million agency-wide) Guidelines for the application of fairness provisions are in place across business lines to help ensure consistency in decision making Next steps include introducing systematic quality monitoring in 2001-2002 which will allow us to confirm the actual levels of consistency for future reporting	2-I0I 2-26 2-II0 2-II0		
	Risk management of dispute and litigation issues is effective	•	The vast majority of objections are resolved administratively without resorting to litigation; monitoring of consistency of case decisions on non-litigation (i.e., non-complex) files needs more rigour  Court proceedings are efficiently managed, and proposals for legislative changes are introduced when problem areas are identified	2-III 2-II2		
	Knowledgeable and skilled workforce in the right place at the right time	•	Continuing challenge in recruitment and retention	2-113		
uture Tear I Kesuits	Fairness principles are applied and integrated across all programs	•	<ul> <li>Results achieved against the 7-Point Plan for Fairness</li> <li>Levels of voluntary disclosures have continued to increase with related assessments having increased by an estimated 42% over the prior year</li> </ul>	2-II4 2-II4		

<sup>&</sup>lt;sup>2</sup> Main estimates + supplementary estimates + year-end adjustments; i.e., the full amount available to spend

**Appeals** 

## Evaluating Our Overall Performance

In the performance report card (Exhibit 2) we evaluate the Appeals business line performance for 2000-2001 against our five anticipated results in support of our expected outcome. Ratings are provided for each anticipated result and show whether our performance fully met, largely met, or fell short of the target. A separate rating is provided on the quality of the information we used as a basis for the assessment.

Overall, we believe that we have mostly met our expected outcome—Canadians receive an impartial and timely review of contested decisions through our redress system, but not with regard to timeliness. While, on balance, our performance supports the CCRA's efforts to manage the compliance continuum, we recognize that we need to:

- · significantly improve the timeliness of the dispute resolution process; and
- set clear targets for all Appeals programs that go beyond year-over-year comparisons and entrench them into our performance measurement framework and service standards, where appropriate.

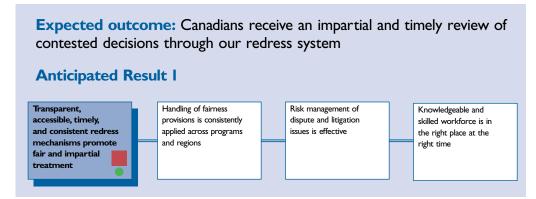
Our performance also supports the CCRA's efforts to **innovate for the future** by implementing, as scheduled, commitments from the 7-Point Plan for Fairness and by increasing Voluntary Disclosures Program assessments by an estimated 42%.

Our performance ratings are largely based on good data quality derived from the Appeals Information System, as well as from a 1998 major client survey.

We identify our plans to address needed improvements in "The Road Ahead," at the end of this chapter.

## Discussing Our Performance





#### Conclusion

The dispute resolution process is for the most part transparent, accessible, and consistent, but not timely. It is also fair and impartial. As elaborated below, while we have some notable successes, enhancements are needed in several areas and, in one, significant performance gaps need to be addressed.

#### **Highlights**

**Transparent, accessible, and consistent process** – We expect to inform 100% of our clients of their rights to redress and how to access Appeals services. We met this expectation by providing this information to **all** clients who received decisions or assessments. To further strengthen the **transparency** of the process, Appeals also completed a pilot project to inform clients better by writing to them on the status of their dispute within the first 30 days after disputes are filed. This became a national standard in April 2001. However, improvements are needed to provide clients with timely information on the status of their files throughout the dispute resolution process.

Periodic surveys of client satisfaction on the quality of Appeals services provide further indication of whether the information we provide adequately helps clients **access** our services. Our last client survey in 1998 dealt with handling disputes related to income tax, GST/HST, excise tax, CPP, EI, and adjudications, but did not include trade administration issues (since they were not part of Appeals at that time). The survey revealed that:

- 85% of clients for these areas were satisfied with the ease of filing a dispute;
- 78% were satisfied with the courtesy of staff; and
- 64% were satisfied with the impartiality of the officer.

However, barely half were satisfied with the cost of the process. There are no direct costs for filing a dispute, but limited consultation following the 1998 survey revealed concerns about the perceived high opportunity cost associated with a lengthy Appeals process. A follow-up survey in 2002-2003 will include more detailed questions on the cost issue to better understand these concerns. The survey will be expanded to also deal with the Trade Administration area.

#### **Appeals**

To enhance **consistency** and facilitate access to redress in customs and excise disputes, we sought legislative changes to the *Customs Act* and the *Excise Act*—similar to those in the *Income Tax Act*—that would provide administrative procedures to resolve disputes in the first instance without having to go to the courts each time. Assuming the proposed legislation is passed by Parliament, we will evaluate the impact on client access and costs.

**Timely process** – Our objective is to handle disputes as expeditiously as possible. Our key indicator of timely redress mechanisms is the average processing time it takes for Appeals to resolve cases for matters under our control (that is, in workable status—information is available for an Appeals officer to conduct his or her review of the particular case). Over the last three years we have worked to reduce the time needed to resolve a dispute in workable status, but it still remains high (see Exhibit 3). It can take up to several years to resolve complex cases.

Exhibit 3: Processing Times in Average Number of Calendar Days<sup>1</sup> for Disputes in Workable Status

Program	1998-1999	1999-2000	2000-2001	Decrease in Processing Time
Income Tax (TC) <sup>2</sup>	311	155	119	23%
Income Tax (TSO) <sup>2</sup>	255	244	226	7%
GST/HST/Excise	296	245	237	3%
Trade Administration	203	236	209	11%
Adjudications	159	188	170	10%
CPP/EI	141	144	148	(-3%) 3

Processing time means the average number of calendar days between the date of mailing of the *Notice of Objection* and the date the client was notified of a final CCRA decision, excluding the number of days the file was in non-workable status.

<sup>&</sup>lt;sup>2</sup> Income Tax is split into tax centres (TCs) and tax services offices (TSOs) to reflect that differences in complexity of files—tax centres deal with larger volumes and less complex issues than tax services offices.

<sup>&</sup>lt;sup>3</sup> The slight increase in processing times in CPP/EI was due to a combination of factors, including the increased use of representatives by appellants.

In 2000-2001, we resolved more disputes (68,957) than we received (66,373), reducing our inventory to 56,688 files (see Exhibits 4 and 5). We did not significantly reduce our inventory due partly to the complexity of a significant number of cases, combined with the difficulty of forecasting workloads and matching them with appropriate resources. To improve our turnaround times, we have been working to optimize our resources by redeploying workloads within and between regions. In addition, we are working to determine whether complexity factors can be established for different types of workloads. This would allow us to allocate more effectively the required financial and human resources to more efficiently process and improve timeliness for all types of workloads.

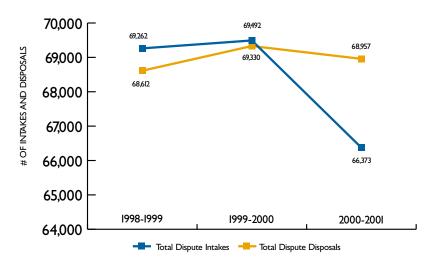


Exhibit 4: Dispute Intakes and Disposals\*

As Exhibit 5 illustrates, the income tax inventory in 2000-2001 is still higher than in 1998-1999 and represents the bulk of the total inventory.

Exhibit 5: Dispute Inventory\*

Program	1998-1999	1999-2000	2000-2001
Income Tax	41,446	43,988	42,798
GST/HST/Excise	4,113	3,847	3,657
CPP/EI	2,328	2,377	2,067
Adjudications	2,957	2,685	2,563
Trade Administration	8,308	6,400	5,603
Total	59,152	59,297	56,688

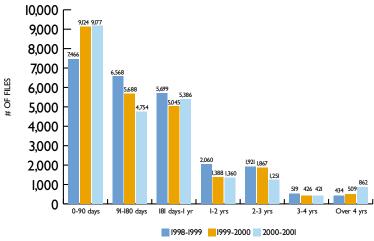
<sup>\*</sup> Totals include both workable and non-workable files. See Schedule D: Glossary on page 2-168.

st Total numbers include workable and non-workable files. See Schedule D: Glossary on page 2-168.

#### **Appeals**

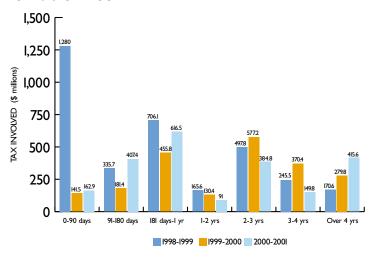
As shown in Exhibit 6, the age of our case load is an issue. Most of the files in the dispute inventory are in the first three age categories. The last category (over 4 years) has increased over the last three years. Over the past three years, the number of workable files represented on average 40% of the total inventory (56,688), and the tax dollars involved in both workable and non-workable files have increased by just over \$2 billion since 1998-1999.

Exhibit 6: Dispute Inventory by Age – Number of Workable Files



The dollar value of non-workable files has also increased substantially over the last three years, particularly in the last three age categories. It now constitutes 73% (\$6.1 billion) of total tax dollars involved, up from 53% (\$3.8 billion) in 1998-1999. As part of our action plan to improve timeliness, we will also address this element.

Exhibit 7: Dispute Inventory by Age – Tax Dollars Involved for Workable Files



Overall, **the dispute resolution process is fair and impartial**. One performance indicator is the number of disputes that the CCRA resolves in favour of the client either in whole or in part (see Exhibit 8).

However, clients may still disagree with a CCRA decision but decide not to appeal to the courts to avoid incurring costs. Another indicator is that the majority of our clients (a minimum of 60% for the income tax and GST/HST/excise programs over the last three years) agreed with the resolution of their disputes. These represent the vast majority of disputes. Furthermore, in about 50% of income tax disputes reviewed, clients were allowed in part or in full the issues in dispute. In addition, of the 68,957 disputes completed, only 7.8% were pursued to the courts (see Exhibit 9).

#### **Exhibit 8: Percentage of Disputes Resolved**

Allowed in full – the client is allowed 100% of the issues in dispute

Allowed in part – the client is allowed a portion of the issues in dispute

Confirmed – the client is not successful in any of the issues in dispute

Other – the client filed a late or invalid objection

Program	1998-19	999	1999-2	.000	2000-	2001
	No.	%	No.	%	No.	%
Income Tax						
Allowed in full	13,880	28%	165,672	32%	15,235	31%
Allowed in part	9,685	19%	9,279	19%	9,504	19%
Confirmed	17,699	36%	15,109	31%	15,944	32%
Other	8,527	17%	8,750	18%	8,764	18%
Total	49,791	100%	48,810	100%	49,447	100%
GST/HST/excise <sup>1</sup>						
Allowed in full	885	21%	714	15%	759	17%
Allowed in part	1,044	24%	1,096	23%	1,182	26%
Confirmed	1,650	39%	2,356	49%	1,840	41%
Other	702	16%	605	13%	730	16%
Total	4,281	100%	4,771	100%	4,511	100%
CPP/EI <sup>2</sup>	N/A	4	N/A		N/A	
Adjudications						
Allowed in full	743	20%	871	24%	627	19%
Allowed in part	742	20%	768	21%	819	24%
Confirmed	2,150	60%	1,999	55%	1,926	57%
Total	3,635	100%	3,638	100%	3,372	100%
Trade Administration						
Allowed in full	1,915	41%	3,244	54%	2,501	51%
Allowed in part	515	11%	759	12%	672	14%
Confirmed	1,630	35%	I,425	24%	1,193	25%
Cancellations, errors	612	13%	617	10%	508	10%
Total	4,672	100%	6,045	100%	4,874	100%

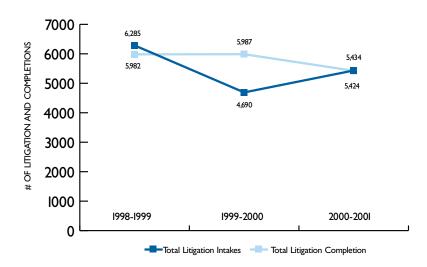
<sup>&</sup>lt;sup>1</sup> Percentages for GST/HST/excise disputes are lower because clients often lack documentation to support their case.

<sup>&</sup>lt;sup>2</sup> These types of statistics are not captured for CPP/EI because they could be misleading due to the number and relationship of the various parties (e.g., employees, employers) that are involved.

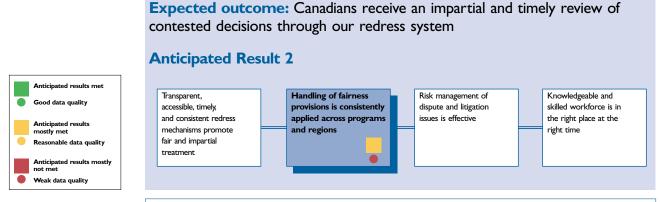


## **Appeals**

**Exhibit 9: Litigation Intakes and Completion** 







## **Conclusion**

Guidelines for the application of fairness provisions are in place across all business lines, to help ensure consistency in decision-making. Introducing systematic quality monitoring in 2001-2002 will allow us to confirm the actual levels of consistency for future reporting.

## **Highlights**

Managing fairness provisions has also become an important aspect of CCRA operations, as the number of requests has grown exponentially to 71,000 annually since the provisions were introduced in 1991. Relief was provided in over 47,000 of these cases; penalties and interest were waived automatically in another 1.9 million cases. The total value of interest and penalties forgiven (including waivers) in 2000-2001 amounted to an estimated \$210 million agency-wide. We are undertaking a cost analysis of the fairness provisions to better understand the funding needs for affordable service delivery. As noted in the chapter on Tax Services, we met our service standard to process fairness requests related to Accounts Receivable and Trust Accounts programs within four to six weeks 91% of the time, thereby exceeding our target of 90%.



## **Appeals**



## Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality

## **Conclusion**

Our risk management of dispute and litigation issues is largely effective. To better identify and deal with the risk elements relating to the issues under dispute (e.g., amounts in dispute, impacts), in 2001-2002 we will implement a risk management framework that includes an assessment of business activities from a risk evaluation management perspective. In addition, we will introduce systematic quality monitoring in 2001-2002 that will enable Appeals to better assess whether it is achieving sufficient levels of consistency in case decisions.

## **Highlights**

We have maintained a relatively constant year-over-year performance. More than 90% of tax disputes and 99% of customs issues are resolved administratively without resorting to the courts (see Exhibit 10). About 50% of tax appeals that are filed either do not proceed to court or are settled before a hearing, compared to 56% the year before.

**Exhibit 10: Administrative Resolution Rates** 

Dispute Type	1999-2000	2000-2001
Income tax assessments and reassessments	95%	94%
GST/HST/excise tax assessments and reassessments	90%	90%
Tax benefits eligibility <sup>1</sup>	98%	97%
Trade matters (e.g., tariff classifications, valuations, and origin determinations)	99%	99%
Customs seizures and ascertained forfeitures	99%	99%
Employment Insurance benefits	73%	75%
Canada Pension Plan contributions	82%	71 %²

- <sup>1</sup> In this exhibit, tax benefit eligibility is also included in income tax assessment and reassessment rates.
- 2 The reason for the significant change in the CPP program is due to the small number of disputes. A decrease of a few clients proceeding to court could translate into a significant percentage decrease.

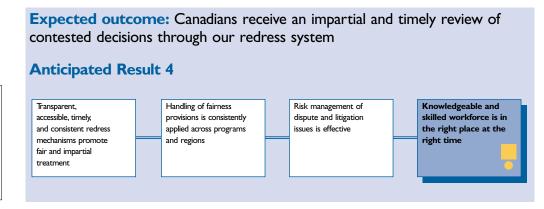
**Litigation** – Of appeals that proceed to court, about 65% are decided in favour of the Crown, compared to 68% in 1999-2000. We expect there will always be cases that will be ruled against the Crown, which supports Appeals' impartiality. However, we expect the majority of cases will be decided in favour of the Crown. An indicator of our effectiveness in risk management is the identification of required legislative changes, particularly following our review of the outcomes of court decisions against the Crown. We consult with the departments of Justice and Finance on appropriate follow-up. Proposed legislative changes to income tax enacted in 2000 and 2001 concerned: the clergy residence deduction; the flow-through share investment tax credit; simultaneous control; the medical expense tax credit; tax on split income; fair market value of undivided interest; and the Canadian exploration expense.

Costs and risks in our work to assist the Department of Justice in court litigation and at the Canadian International Trade Tribunal are largely outside our control. The cost of retaining expert witnesses to defend the Crown's position in court appeals is an increasingly difficult challenge affecting our overall ability to manage risk. These costs have increased from \$374,000 in 1995-1996 to about \$2.5 million in 2000-2001. To cover them, we have had to divert resources from other areas, including the processing of income tax disputes.

**Non-litigation** – For cases that do not proceed to court, our performance is impacted by the inherent challenges in forecasting the intensity and complexity of workloads. With this in mind, the quality of decision making can be improved by instituting a risk management framework expanded to include an assessment of business activities from a risk evaluation management perspective for all of our case workload. In addition, the introduction of systematic quality monitoring in 2001-2002 will enable Appeals to better assess whether sufficient levels of consistency are being achieved in case decisions.



## **Appeals**



## Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality

### **Conclusion**

Overall, we mostly met expectations in this area. We are striving to address the challenges inherent in having a knowledgeable and skilled workforce in place at the right time, particularly in the areas of income tax and GST/HST/excise.

## **Highlights**

We determine the adequacy of the knowledge and skill level of our workforce in Appeals by gauging whether employees have the competencies that our file complexities require, and whether the organization is successfully recruiting and retaining sufficient numbers of people with those competencies. Management's view is that, historically, staff recruitment and retention in Appeals has been a major challenge (especially in the income tax and GST/HST/excise programs) because of the Branch's relatively small size and limited career progression opportunities, as well as competition from other functions and the private sector for audit expertise. Because of this, field offices are frequently forced to operate with fewer staff than funding would allow.

During 2001-2002, we were unable to staff at planned levels, marking a deficiency of about 10% in resources. This has contributed to the aging of inventories. In co-operation with the regions, we modified our approach to forecasting regional resource requirements to allow for more flexibility in distributing the resources needed across workloads and regions.





### **Conclusion**

We moved forward as scheduled in implementing the Fairness Initiative to support the **application of fairness principles** in all programs.

## **Highlights**

Following consultations with citizens and staff, we launched the 7-Point Plan for Fairness in February 1999. It describes the actions to be taken to achieve greater fairness in the CCRA's dealings with Canadians. In 2000-2001, we fulfilled the following commitments made in this plan:

- we issued a revised declaration on the rights of clients;
- we included information on fairness and client rights in a number of CCRA publications;
- · we created fairness and client rights Web pages; and
- we improved our reporting on the fairness provisions to Parliament.

The Voluntary Disclosures Program continues to grow as it is promoted—the number of voluntary disclosures increased from 3,077 in 1999-2000 to 3,432 in 2000-2001, with related assessments increased by an estimated 42% (from an estimated \$101 million in 1999-2000 to an estimated \$143 million in 2000-2001). Last June, the CCRA announced measures that allow individuals to seek anonymous advice and information to help them prepare for a voluntary disclosure.



**Appeals** 

## The Road Ahead

In light of the above discussion of our performance, we will undertake in 2001-2002 the following to improve our performance:

Planned Results	Related Activities	Targeted Completion Dates
Improved timeliness of dispute processing	Establish multi-year targets related to the <b>timeliness</b> <b>of dispute processing</b>	Spring 2002
	Implement a quality-monitoring program	Spring 2002
	Implement a training framework	Summer 2002
Better information to identify areas for improvement	Conduct Appeals Client Survey	2002-2003 and every four years thereafter
Improved accessibility to the redress process	Assess the feasibility of Internet filing of notices of objection	Winter 200I
Enhanced quality of decisions	Implement a risk management framework	Spring 2002
Better assurance that legislative provisions are applied consistently	Implement the Fairness Provisions Improvement Strategy, including a quality monitoring program	2002-2003

We anticipate that the quality monitoring program, supported with appropriate training, will help improve the timeliness of the dispute resolution process. In addition, clear targets for all Appeals programs—integrated into our performance measurement framework and corresponding, where appropriate, to published service standards—will encourage further improvements in timeliness, as well as strengthen our capacity to ensure the fairness provisions are consistently applied across programs and regions.

## Corporate Management

and Direction



## **Rating System**

- Anticipated results met
- Rating is based on good data quality Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly met
- Rating is based on reasonable data quality Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods
- Anticipated results mostly not met
- Rating is based on weak data quality Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods

## About Corporate Management and Direction

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

Strategic direction and executive oversight are provided through the CCRA's governance regime. This consists of three major components:

- mechanisms through which the Minister of National Revenue discharges responsibility for the overall stewardship of the CCRA and exercises accountability to Parliament;
  - the Board of Management and its constituent committees through which advice and decision-making enable the effective day-to-day management of the CCRA's operations; and
  - the CCRA's integrated Management Model for Excellence, including planning, decision-making, and accountability regimes and our annual *Corporate Business Plan*.

With the transition from department to agency status, the role of the CMD business line has been enhanced to both take into account the CCRA's new authorities and accountabilities and provide a corporate focal point for the CCRA's modernization agenda, which includes:

- a new management model for excellence;
- a new performance measurement framework based on the Balanced Scorecard;
- improvements in the management of our financial and administrative resources;
- a modern, progressive human resources regime;
- comprehensive, multi-year information technology strategy; and
- efforts to build a new organizational culture.

The objectives and deliverables within the *Corporate Business Plan* are linked to the annual performance agreements for all senior managers.

## **Business Line Spending**

CMD is the CCRA's second largest business line in terms of dollars, with an annual budgetary allocation of over \$600M representing 20.2% of the CCRA budget. A significant part of this budget supports information technology (IT), and almost 70% of this is spent in direct support of program and service delivery. Although we are not currently able to fully attribute IT costs and investments within each business line, implementating activity-based costing will eventually enable us to do so.

Exhibit 1: Business Line Spending (\$000)

Corporate Management and Direction	1998-1999	1999-2000	Percentage Increase	2000-2001	Percentage Increase
Planned Spending <sup>1</sup> (\$000)	490,181	489,884	-0.06%	557,848	13.9%
Allocation of Authorities <sup>2</sup> (\$000)	610,312	647,035	6%	690,517	6.7%
Actual Spending (\$000)	574,220	623,623	8.6%	628,602	0.8%
Planned FTEs	5,662	5,890	4%	6,661	13.1 %
Total FTE Authorities	6,643	6,788	2.2%	7,054	3.9%
Actual Number of FTEs	6,611	6,559	-0.8%	6,456	-1.6%

Main estimates

Details on our performance against overall authorized spending for the CCRA as approved by Parliament are provided in Table 8 of Schedule C on page 2-163.

<sup>&</sup>lt;sup>2</sup> Main estimates + supplementary estimates + year-end adjustments; i.e., the full amount available to spend



## **Exhibit 2: Corporate Managment and Direction Performance Report Card**

## CORPORATE MANAGEMENT and DIRECTION

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

	management approaches					
	ANTICIPATED RESULTS	Our ratings	ACTUAL RESULTS AS DEMONSTRATED BY	Annex Pg.		
	Effective governance regime that provides management oversight and leadership	•	The CCRA's Board of Management brings Canadians' interests and business-like approaches directly into our management processes  Orporate committee structure enables informed decision-making and cohesive management of programs	2-l23 2-l23		
ar I Results	A cultural shift under way and growing that puts decision-making in the hands of managers	•	An enhanced management cadre provides leadership in achieving business results and implementing our change agenda  Managers have more decision-making responsibilities; performance agreement regime is evolving toward results-based focus  Employees are aware of the CCRA's values, business priorities, and overall orientation for the future  An adaptive organization promotes learning and embraces best practices	2-124 2-124 2-124 2-124		
uture Ye	Modern comptrollership regime that fosters management and service excellence		Adoption of a management approach that integrates results-based management and modern comptrollership into the heart of business planning and reporting     Improvements in financial management control systems support results-based,	2-I25 2-I25		
Innovating for the Future Year I Results	Cociliano		responsible spending  Introduction of integrated risk management policy; full implementation over a three-year period  Successful completion of proof of concept in the development of an agency-wide Performance Measurement Framework (Balanced Scorecard)	2-125 2-125 2-125		
ouul			Strengthened internal audit and program evaluation programs     ISO 9000 certification at selected sites (pilot program)	2-I26 2-I26		
	Leadership in human resources (HR) reform that is in tune with business objectives	•	Values-based HR regime supports our new role as a separate employer Labour relations framework promotes sound labour union/management relations and results in effective collective bargaining New resourcing system reduces the time required to staff positions Performance management regime introduced at all levels to promote effective people management in line with corporate priorities Dispute resolution system reflects an interest-based approach and reduces conflict in the workplace Development of a new classification system to respond to our specific	2-127 2-130 2-128 2-128 2-130		
			workforce needs  • Employment equity programs result in a diverse workforce and solid representation of the four designated groups	2-129		
	Confidentiality of client information is protected		Confidentiality provisions of the legislation we administer (e.g., Income Tax Act) are fully respected	2-131		
и	Canadians' desire for transparency in public administration is addressed		Improved timeliness in Access to Information and Privacy (ATIP) requests is in line with legislative provisions     Assessment of CCRA performance by the Information Commissioner results in specific program improvements and actions	2-I33 2-I33		
	Sound financial and treasury management		Prudent stewardship of financial resources  Decision-makers are made aware of resources needed to maintain the integrity of our ongoing operations and advance our change agenda  Financial Information Strategy (FIS) is implemented on time and in accordance	2-I35 2-I35 2-I36		
Compliance			with government-wide directions  • Flexible and cost-effective information systems are in place  • Improvements needed in cash management and monitoring systems for certain categories of tax revenues	2-l36 2-l36 2-l36		
Managing the Compliance Continuur			Sustainable Development (SD) Strategy in place to integrate SD considerations into our decision-making, plans, and activities, and to strengthen environmental stewardship     Legacy costing systems limit capacity to precisely measure cost of our operations within business lines and measure productivity gains	2-I37 2-I36		
Ma	Operational excellence and solutions leadership in information technology	•	Overall improved accessibility and shorter processing times enable better client service; improvement needed in some systems (corporate income tax (T2) system, scanning) Increased integration of systems across business lines supports efficiency	2-30		
			and cost reduction over the medium and longer term     Capacity to design, build, and maintain large, sophisticated systems is in line with business needs	2-l38 2-l39		

## Evaluating Our Performance

The performance report card (Exhibit 2) provides our evaluation of performance for 2000-2001 against eight anticipated results and our expected outcome:

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

Ratings are provided for each anticipated result and show whether our performance fully met, largely met, or fell short of the target. A separate rating is provided on the quality of the information we used as a basis for the assessment.

As with other business lines, we assess our performance against two themes: managing the compliance continuum and innovating for the future. Since there is a significant requirement for this business line to focus on successful innovation over a multi-year agenda, we emphasize our performance against the innovating for the future theme. Although our performance information is not as robust as desired, on balance we have delivered demonstrable results and progress and are well positioned to achieve our expected outcome. Our performance rating is based on a reasonable level of data quality, including information derived from survey results and Corporate Administrative System (CAS).

**Notable successes** – During 2000-2001 we fully implemented the CCRA's new governance structure, which is providing more effective, focused management oversight and leadership in long-term planning and decision-making. Other key activities included:

- developing a comprehensive, integrated management model for excellence, to assess and improve the efficacy of management capacities and practices;
- implementing the framework and key policies and processes for our new human resources regime, including labour relations and staffing;
- launching a fundamental re-examination and renewal of our financial and administrative infrastructures, in part to strengthen the integrity and reliability of human resources information in the CAS; and
- in support of improved service to Canadians, continuing to implement a comprehensive, multi-year information technology strategy.

Areas for improvement – Establishing the foundation for a new corporate culture within our organization to meet the management challenges of the future is arguably our most significant challenge. We made progress in building a stronger, more cohesive and empowered management group with a shared vision and values. In the coming year, we will focus on implementing a modern training, learning, and development regime to support the professional and personal goals of all our employees.

For our core operations, we achieved improvements in the overall management of our access to information and privacy program, resulting in a significant reduction (approximately 57%) in processing times for access and privacy requests. However, workload has increased dramatically, and further service improvements will only be possible with additional incremental funding.

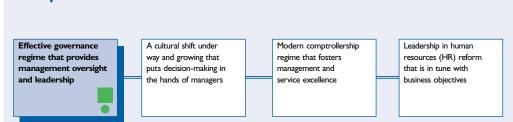


## Discussing Our Performance

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

## **Anticipated Result I**





### Conclusion

We believe we have met expectations to provide an effective governance regime that provides management oversight and leadership.

## **Highlights**

The CCRA has benefited significantly from the new governance regime provided for in our enabling legislation, which supports modern and innovative management to improve the performance of our programs and services. A defining feature is the relationship between the legislated roles and responsibilities of the Minister, the Commissioner, and the newly created Board of Management. This new working dynamic has strengthened the accountability of the CCRA to Parliament and to all Canadians. The Board of Management in particular has brought executive oversight and leadership to the formulation of the policies and management frameworks needed to take full advantage of the CCRA's unique structure and authorities.

In 2000-2001, the Board of Management provided strategic direction and oversight in policies and management frameworks, approving over 100 streamlined and agency-tailored policies relating to human resources, information technology, and finance and administration, as well as key corporate documents such as the CCRA's 2001-2002 to 2003-2004 *Corporate Business Plan*, the *Report on Plans and Priorities*, and the *Planning, Reporting and Accountability Structure*.

To strengthen overall governance, we established a corporate committee structure to ensure increased rigour and discipline in the management of our business. To ensure clarity in the mandate and roles of these committees, we implemented a number of enhancements to the structure that included developing a comprehensive annual plan and protocols to clarify the operation of the committees.

The CCRA is also uniquely served by the active support of the CCRA's Legal Services personnel. They provide corporate legal counsel and advisory services for the CCRA's business lines, mainly on matters arising in the administration of the CCRA's program statutes and regulations and other laws that impact on CCRA programs. Legal Services operates under a longstanding mandate arrangement with the federal department of Justice. The Services are under the direct management of the CCRA Chief Counsel who acts as the Commissioner's delegate for the legal aspects of CCRA operations and policies, and also acts on behalf of the Deputy Attorney General of Canada.

Legal Services is committed to a service that is effective, courteous, helpful, business-focused, and above all responsive. The service is now more integrated with CCRA operations than ever before as lawyers are engaged with most initiatives early and on an on-going basis. Improved communications tools and the development of client service teams enable lawyers to maintain close contact with officials and to be more easily accessible to CCRA officials across the country. The teams are also linked to the larger Justice Service to ensure a co-ordinated approach to legal issues across Canada.



# Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality

## **Conclusion**

We believe we have mostly met expectations to begin the cultural shift that puts decision-making in the hands of managers

## **Highlights**

A modern, vibrant corporate culture is essential to support the effectiveness of our organizational structure and new authorities and flexibilities. This culture must embody a common vision for the future and a set of core values that resonate with managers and employees. It must offer empowerment and development opportunities, as well as develop skills and reward good performance. In 2000-2001, we built the necessary capacities to achieve and sustain this cultural transformation into two key management tools—the Management Model for Excellence and the Balanced Scorecard.

In addition, we created a stronger management community with a common commitment to service excellence. The Board of Management approved the expansion of our executive cadre with the creation of a senior management (SM) level and laid the foundation for establishing a new management group. We expect to fully implement this latter group of about 3,000 employees, representing almost 7% of our workforce, in 2001-2002.

Our new management cadre has more decision-making authority, and with that, a stronger accountability framework within which to work. As of 2000, over 500 annual performance agreements with executives and senior managers are in place and clearly state their commitments, and the deliverables they are responsible for, that support the 2000-2001 to 2002-2003 *Corporate Business Plan*. Employees are also more aware of the CCRA's values, business priorities, and overall orientation for the future.

Finally, in support of our learning, development, and training strategies, we established a new Leadership Program, a Learning Council, and a Learning Plan.



**Expected outcome:** Performance of our business services and operations is maximized through modern and innovative management approaches **Anticipated Result 3** Modern comptrollership Effective governance A cultural shift under Leadership in human regime that provides regime that fosters resources (HR) reform way and growing that management oversight puts decision-making in management and that is in tune with and leadership the hands of managers service excellence business objectives

## Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality

### Conclusion

We believe we have met expectations for progress in developing a modern comptrollership regime that fosters management and service excellence.

## **Highlights**

The CCRA has met expectations for progress in this area. In 2000-2001, we developed an integrated management framework—the Management Model for Excellence. When fully implemented by 2003-2004, it will reflect all of the elements of modern comptrollership, comprising strategic planning, performance reporting, accountability for results, financial management, and risk management. Supporting elements are already in place, including a strategic planning process, senior-level decision-making structure, an accountability regime, annual performance agreements, and the internal audit and evaluation processes. In addition, we have improved the cornerstone of the management model, our *Corporate Business Plan*, making it a more focused and relevant document, and supporting its internal dissemination with stronger communications.

A key area requiring sustained attention is our capacity to produce accurate, relevant, and timely performance information for both planning and accountability purposes. We are building a corporate performance measurement framework based on the Balanced Scorecard (BSC) method, that will fundamentally alter how we measure and demonstrate our performance. It will provide a common framework for presenting a timely picture of our programs, operations, and performance, as well as enhance the transparency and comprehensiveness of public reporting on our management and business processes and results. Implementation will begin in 2002-2003.

The CCRA also developed a revised policy on integrated risk management in line with the government-wide policy released by Treasury Board. It is now being implemented at all levels within the CCRA.

Our corporate review program was instrumental in improving the effectiveness of management and administrative controls and governance processes. Our program is linked to our strategic and planning process to ensure that the highest priority information needs of senior management are met and significant risks are identified and addressed. In 2000-2001, specific reviews were undertaken to assess, among others, the new human resources regime, the Corporate Administrative System (CAS) and the Financial Accounting System. As well, evaluation studies were used to inform and improve the management capacity through ISO 9000 and the Customs performance projects. However, although internal audit and program evaluation provided a value-added service, improvements are needed to better position the corporate review function to support management and service excellence.







## Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality

## **Conclusion**

We believe we have met expectations for demonstrating leadership in human resources reform that is in tune with business objectives.

## **Highlights**

The move to agency status has meant profound changes for the management of our human resources. A key expectation for the CCRA is to have in place an effective, Agency-tailored, separate employer-based human resources management regime. This is to provide better support to our business lines and address major challenges such as an unduly complex, outdated, rule-bound, and inefficient HR management framework, the recruitment and retention of employees with the key skills that the CCRA needs, weak employee recourse mechanisms, and a lack of support for employee career management.

In 2000-2001, year one of a multi-year program of HR reform and renewal, we focused on core HR functions impacted by legislative changes and separate employer status. These are staffing, recourse, and labour relations. Overall, we met expected results in this area, including the design, development, and installation of policies, processes, and frameworks needed to ensure the continuation of HR services that were previously provided by central agencies.

However, accurate, reliable HR data is essential for all HR functions, and this issue remains one of concern. Problems encountered to date in cleaning up former information systems and re-populating the CAS data base limit the degree of accuracy and precision that can be applied in carrying out demographic studies and trend analyses. Results of the CAS data integrity audit conducted in 1999-2000 highlighted systemic and procedural deficiencies that corrupted data and caused problems for CAS data users. In 2001-2002, significant efforts and resources will be devoted to correcting the problems as well as enhancing the system itself.

## Staffing and human resources management

In becoming a separate employer, we put in place a transitional staffing program. A major challenge in 2000-2001 was working with existing processes under the Public Service Employment Act and interim processes in our transitional program. During this transition year over 800 managers were trained and received delegated staffing authority. In addition, 250 staffing advisors were trained in the new Agency Staffing Program. However, we made substantial progress laying the foundation for a new competency-based staffing program. We developed a modern, progressive classification system the Agency Classification System—to meet our future needs, but significant implementation challenges lie ahead—similar to those being experienced with the Universal Classification System in the broader Public Service. We also established a performance management accountability framework linked to effective people management, to help build and sustain a cohesive, empowered management community. In 2000-2001, with the implementation of the new Performance Management Program, approximately 90% of managers received goals and performance objectives. Annual performance agreements for senior managers are now linked to key corporate objectives, which include effective people management. Pay-at-risk for executives is based on their achievement of specific goals linked to the corporate plan. The results for the first cycle will be available in fall 2001. We also updated a number of policies (e.g., ethics and values, discipline, and gifts, hospitality, and other benefits) to ensure that these focused on promoting ethical behaviour.

One of the key components of our new staffing regime is a yearly plan of staffing activities. The staffing plan establishes links with our Employment Equity and Official Languages objectives to create a more integrated process. This process allowed us to forecast 24,338 staffing transactions, to plan for and to develop strategies to better address the CCRA's hiring demands. Under our former HR regime, staffing time averaged 166 days within the Public Service and 138 days for an external recruitment, consuming approximately 150 hours of a manager's time. Given that we undertake approximately 30,000 staffing actions annually, this created serious inefficiencies. Delays in getting "the right people in the right place at the right time" impaired our ability to attract and keep employees with the skills and experience levels needed. In 2000-2001, we implemented a resourcing system that streamlined internal staffing processes in certain areas by 30%. We were successful in tailoring new staffing approaches to significantly improve our capacity to deliver efficient services. For example, traditional seasonal hiring of 10,000 workers was conducted through lengthy annual selection processes. We can now rehire experienced workers based on past performance, hence significantly reducing management and HR efforts. It is anticipated that further improvements will be possible when our competencies and pre-qualified pools are fully operational.

As noted in other business lines, significant challenges still remain in realizing the full benefits of this more flexible system. Workloads within the compensation function have grown significantly over the past year. Over the past three years, the CCRA's compensation staff have processed on average 40% more pay transactions per employee than the average for the Public Service. High turnover of staff in this area is of continued concern. Recruitment and training strategies are being developed to mitigate the problems and ensure delivery of HR services. Measures must also be taken to ensure that there are sufficient numbers of qualified staff, especially HR professionals, to help manage cultural change and provide value-added services to clients.



The CCRA remains committed to the principles and objectives of employment equity and workforce diversity. We met all employment equity expectations at the national level for all four of the designated employment equity groups (women, aboriginal peoples, visible minorities, and persons with disabilities). However, regional under-representation at certain occupational group levels requires continued attention. We have developed a methodology to compare external labour market availability of designated groups to our internal workforce to inform future employment equity planning. The representation rates for 1999-2000 were:

**Exhibit 3: Employment Equity** 

	Women	Aboriginal persons	Visible minorities	Persons with disabilities
Representation in the CCRA	56.4%	1.9%	9.0%	5.6%
Labour market availability	55.3%	1.6%	8.4%	4.5%

The Learning Council was established to promote the CCRA's learning agenda and heighten awareness of both the importance of learning and the need to support learning in the workplace.

The Leadership Program was defined and pilot projects were conducted. The program, which uses a combination of e-learning, computer-aided business simulation, self-directed learning, and classroom training followed up with action learning assignments, was launched in April 2001.

A new individual learning plan guide was developed that will enable managers and employees to plan and co-manage employee learning to meet future needs of the CCRA and employee career aspirations. Starting in 2001-2002, managers and employees will be able to assess employees' learning requirements against current and future job requirements with the assistance of the new competency self-help kit.

## Labour relations

In 2000-2001, we developed a framework to promote sound union-management relations and effective collective bargaining more tailored to the CCRA's business and workforce needs. We implemented new union-management consultation forums to deal with occupational safety and health, and we employed existing consultation mechanisms to facilitate union and management discussions on key strategic initiatives such as Future Directions and Administrative Reform and Renewal. We ratified and signed the CCRA's first collective agreements that included features such as workforce adjustment provisions and reimbursement of professional fees for all groups. To improve our ability to conduct ongoing collective bargaining and discussions with our unions, we adopted a compensation policy to guide our efforts in providing compensation to our employees that is in line with what is being provided elsewhere in the employment market.

In 2000-2001, we established a new occupational group structure by consolidating the previous 35 groups into a 7-group structure. This new structure formed the basis for our submission to the Public Service Staff Relations Board (PSSRB), proposing 4 bargaining units as compared to the existing 13 bargaining units. We anticipate the PSSRB's decision in fall 2001.

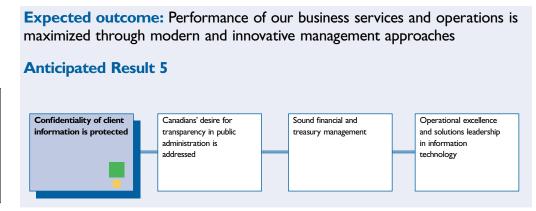
## Recourse

Before becoming an agency, we were restricted to using a rights-based approach to problem solving, where a third party in authority decides the outcome of a dispute. While this method eventually resolved most complaints, it tended to be slow and costly to run, and was frequently associated with adverse effects on internal labour relations. As part of our new HR regime, we invested in front-end conflict prevention with the new interest-based Dispute Resolution System (DRS), which we began implementing in 2000-2001. At year-end, approximately 280 internal facilitators had been trained to deliver DRS awareness sessions to employees, 100 facilitators had been trained to deliver DRS-related training to managers, and 9,200 employees and managers (20% of our workforce) had received training on the DRS.

Preliminary findings on the impact of the DRS indicate that our use of interest-based approaches is increasing. In the past year, the Office of Dispute Management conducted 47 mediations, of which 45 resulted in settlements by the parties. The long-term return on this investment is expected to be better communications, improved morale, productivity, and trust, and better service to the public.

While we invested in front-end conflict prevention, we also remain committed to supporting the use of the same rights-based approaches that existed before we became an agency, and we have introduced some new rights-based mechanisms. The Independent Third Party Review is part of the new recourse system for resourcing. Out of 3,297 promotions, only 25 were submitted for an independent third-party review. Other recourse, such as 2,156 individual feedback requests and 180 decision review requests, were dealt with internally, leading to a more efficient and effective system of redress. While the volume of corrective actions is generally consistent with numbers obtained prior to agency status, managers are now able to take corrective measures in a timelier manner without delaying the staffing process.





## Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality

Anticipated results met

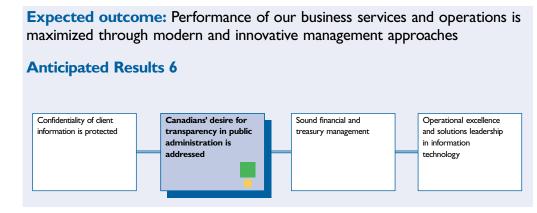
### **Conclusion**

We believe we fully met expectations for protecting confidentiality of client information.

## **Highlights**

Maintaining the confidentiality of information obtained in the course of carrying out our mandate is fundamental to maintaining public confidence in our systems. The legislation administered by the CCRA contains safeguards in the form of specific provisions for protecting confidential client information. For example, section 241 of the *Income Tax Act*, section 295 of the *Excise Tax Act* (relating to the GST), and sections 107 and 108 of the *Customs Act* contain provisions governing the use and disclosure of client information.

Our commitment to protect Canadians' confidential information is articulated in the CCRA's new declaration, *Your Rights*, which replaces the *Declaration of Taxpayer Rights*, first issued in 1985. The declaration states that taxpayers have the right to information, impartiality, courtesy, consideration, the presumption of honesty, privacy and confidentiality, independent reviews, and impartial hearings before taxes in dispute are paid. It has recently been expanded to include clients' dealings with the CCRA on customs, excise, and GST matters.



# Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality

### Conclusion

We believe we have mostly met expectations for addressing Canadians' desire for transparency in public administration.

## **Highlights**

The CCRA ensures appropriate access to its information holdings subject to specific exemptions outlined in the *Access to Information Act*, and restrictions in the *Privacy Act* and in our program legislation relating to personal and confidential client information.

Several factors have prevented achieving the legislated time frames in responding to all Access to Information and Privacy (ATIP) requests:

- geography (we have more than 750 locations in Canada and abroad);
- strict legislative provisions governing the release of information;
- record sizes being requested (e.g., more than 475,000 pages were reviewed in 2000-2001, with an average of 122 pages per request);
- steady and significant increase in the number of access and privacy requests over the past few years; and
- service-wide shortage of skilled ATIP staff.

In 2000-2001, access and privacy requests increased by 48% over the previous fiscal year, compared with average increases of 7.7% for access requests and 2.3% for privacy requests for the Public Service as a whole. Moreover, unforeseen demands have challenged our ability to forecast and manage workload. For instance, as a result of the dismantling of the Department of Human Resources Development's Longitudinal Labour Force File (LLFF), the CCRA processed over 70,000 privacy requests relating to tax information contained in the LLFF. In addition, the CCRA received four other "high-volume" access requests, each involving some 250,000 pages of material, and each requiring one dedicated, full-time equivalent.

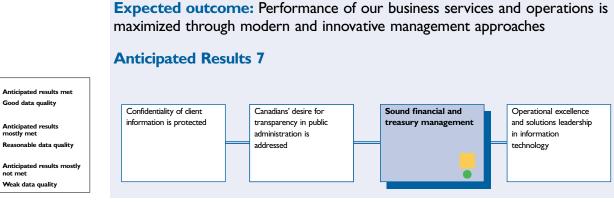


Despite improvements to our classification scheme, we continue to experience difficulties in attracting and retaining qualified staff to manage ATIP requests. The lead-time required to install and train experienced staff directly affects our ability to process requests within legislated time frames, and it makes it difficult to handle unexpected peak periods and increased workloads.

However, the CCRA has improved the average turnaround time for processing access requests. For 2000-2001, we achieved an 85.1% compliance level (grade "C" under the Information Commissioner's rating scheme), with only 14.9% of requests processed beyond legislated time frames (by comparison, in 1999-2000, our compliance level was 48.5% or grade "F", with 51.5% of requests processed beyond legislated time frames). Our performance compares favourably with other federal government departments and agencies. The Information Commissioner of Canada, in his annual report, highlighted the significant improvement in the number of complaints against the CCRA investigated under the *Access to Information Act.* The CCRA's improved handling of access to information requests has contributed to the reduction in the number from 78 in 1999-2000 to 37 in 2000-2001.

In addition, the number of complaints received in the CCRA during 2000-2001 that relate to the processing of *Access to Information Act* requests increased slightly, and *Privacy Act* requests decreased from 1999-2000, despite a significant increase in the number of requests received under both Acts. However, despite the infusion of additional funding over the last two years, there is a continuing challenge to sustain the current level of performance (85%) given the current rate of increase in requests.





## **Conclusion**

We believe we have mostly met expectations concerning sound financial and treasury management.

## **Highlights**

Good data quality

Anticipated results mostly met

Weak data quality

The CCRA's budget for fiscal year 2000-2001 was \$4,745.1 million, of which one-third (\$1,521.8 million) was to fund payments for the Relief for Heating Expenses (RHE) Program. Total spending amounted to \$4,560.7 million, carry-forward of \$184.4 million, with the RHE Program accounting for \$62.5 million of the unexpected balance (this amount is required to cover remaining RHE entitlements in 2001-2002).



Exhibit 4: 2000-2001 CCRA Budget

	\$ Millions			
	Regular Program	Relief for Heating Expenses Program	Total Program	
2000-2001 Main Estimates	2,807.7		2,807.7	
In-year Approvals	415.6	<u>1,521.8</u>	<u>1,937.4</u>	
Total Authority	3,223.3	1,521.8	4,745.1	
Expenditures	<u>3,101.4</u>	<u>1,459.3</u>	4,560.7	
Lapse <sup>1</sup> (entitled for carry-forward)	121.9	62.5	184.4	

<sup>&</sup>lt;sup>1</sup> The Regular Program lapse of \$121.9 million relates to investment initiatives, such as Customs Border Modernization, Other Levies and Assessment System (OLAS), Financial Information Strategy (FIS), \$26.4 million; Special Purpose Allotments, such as Money Laundering, Officer Powers and Personal Protection, Training, and Real Property, \$32.6 million; other earmarked projects, such as Expert Witnesses, Individual Enquiries Re-engineering, E-Commerce Infrastructure and tenant services, \$35 million; an amount of \$21.6 million related to general lapses throughout the CCRA; and other technical items of some \$6.3 million.

As noted in Exhibit 4 above, the Regular Program lapsed \$121.9 million or about 3.8% of the CCRA's authority, due to delays in developing and implementing re-engineering projects. However, our enabling legislation provides a 24-month horizon to manage annual Parliamentary appropriations. This carry-forward flexibility enabled the CCRA to effectively manage multi-year projects. For additional details, see Table 8 of Schedule C on page 2-163.

Five years of unprecedented growth and change challenged the CCRA's ability to meet service expectations and maintain program integrity with existing budget levels. A resource and management review, launched by Treasury Board, concluded that additional resources should be invested in order to maintain and promote the integrity of Canada's tax and customs services. Funding was recommended as follows:

**Exhibit 5: Resource Review Funding** 

(\$000s)	2001-2002	2002-2003	2003-2004	2004-2005	On-going
CCRA	225,266	343,787	400,622	402,671	422,879

In 2000-2001, the CCRA met all of the requirements identified for Phase I of the Financial Information Strategy (FIS), a government-wide priority initiative, by April 1, 2001. FIS-compliant systems will allow the CCRA to produce complete and accurate financial statements generally comparable to those used in the private sector. The CCRA's financial statements for both CCRA and administered activities will be on a full accrual basis for 2001-2002, making the CCRA a leader nationally and internationally in the development of tax accrual accounting practices and reporting.

The introduction of Generally Accepted Accounting Principles and accrual accounting, together with improvements to information systems, provided opportunities to modernize the CCRA's cost management. A feasibility study to be completed in fall 2001 is exploring whether activity-based costing (ABC) methodology can meet our strategic and costing information needs.

The CCRA produced Statements of Operations for the Agency Activities and for the Administered Activities for fiscal year 1999-2000 (see Schedule C). The Auditor General of Canada expressed the opinion that these financial statements presented fairly, in all material respects, the results of the CCRA's agency and administered activities.

With \$296 billion in receipts annually and an average daily collection of \$1.2 billion, it is critical that the CCRA exercise sound cash management. The CCRA has committed that payments will be deposited within 24 hours of receipt. Although there were some fluctuations during peak periods, 97% of income taxes and excise duties and taxes were deposited within 24 hours, and 96% during the tax-filing season. At present, the CCRA's reporting systems do not provide complete information on the timeliness of deposit of Customs and GST receipts. However, offices report that they are generally depositing those revenues in line with the 24-hour standard. Steps have been taken to enhance our ability to meet our time standards for deposits, including the promotion of electronic payment methods, such as pre-authorized debits, and the establishment of an electronic payment Web site.

Before becoming an agency, an assessment of the information requirements for both internal and external systems identified the need for a single, fully integrated administrative system with current, reliable information. This resulted in work to design and develop the Corporate Administrative System (CAS). The CAS was implemented April 1, 1999, and over the course of the year put into operation core financial, personnel, and administrative functionality. We are now focused on system stabilization and future enhancements to deliver an integrated enterprise system.



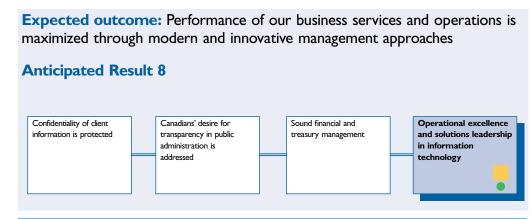
We continued to implement our sustainable development strategy by making progress on strengthening internal capacities and integrating sustainable development considerations into our decision-making plans and activities. An internal review was completed to assess the appropriateness and effectiveness of our initial strategy established in 1997, and to assist us in the development of our Sustainable Development Strategy 2001-2004. We continued to reduce the impact of our operations on the environment by gaining a better understanding of the size and order of our environmental issues. We also focused efforts on compliance assurance, completing an aggressive storage tank compliance and decommissioning program and bringing all registered above-ground storage tank systems into compliance with federal regulations<sup>1</sup> (see Exhibit 6); and we continued work on the development of an Environmental Management System.

**Exhibit 6: Fuel Tanks** 

Calendar 2000	Tanks registered with CCRA	Tanks in compliance with federal guidelines	Tanks not in compliance with federal guidelines
Above-ground	7	7	0
Underground	2	2	0

More detailed information on the CCRA's sustainable development progress and strategy is available on our Web site at www.ccra.gc.ca/agency/sustainable.

As required under the Canadian Environmental Protection Act (CEPA), Part IV, Registrations of Storage Tank Systems for Petroleum Products and Allied Petroleum Products on Federal Lands Regulations, this report provides the information set out in Schedule II of the aforementioned regulations, updated to December 3I, 2000.



# Anticipated results met Good data quality Anticipated results mostly met Reasonable data quality Anticipated results mostly not met Weak data quality

### Conclusion

We believe we have mostly met expectations for operational excellence and solutions leadership in information technology.

## **Highlights**

The capacity, reliability, and availability of information technology (IT) are integral to the success of our business and virtually all our modernization initiatives. Our IT infrastructure provides crucial support for service delivery on a 24 hour, 7 day a week basis. We have the largest IT workforce in the public sector, dedicated to supporting an extensive computing environment for 44,000 employees in over 750 locations across Canada.

In 2000-2001, we invested over \$324 million in IT applications to maintain the overall integrity and effectiveness of our programs and services, and ensure that our employees have modern support systems. Results of these investments are also reported upon in other business lines summaries.

In 2000-2001, we focused most of our efforts on two of the three components of our long-term strategy. In the area of foundation strategies to guide our IT investments, we supported the Government On-Line initiative with an investment of \$9.5 million in a new e-commerce platform and an additional investment of \$7.5 million to improve service availability. The e-commerce platform is the first step in building a base to consolidate existing and new e-commerce applications and provide for more effective systems management. Improved service availability will mean less downtime and fewer interruptions in system services. We met production and quality standards in support of over 200 applications critical to the delivery of services to Canadians. We improved the management of the distributed computing environment through national implementation of our Service Desk initiative. An evaluation of data centre recoverability was completed and work over the next two to three years will further ensure uninterrupted IT services.



In the area of business solutions, we expanded T1 NETFILE to the majority of taxfilers and offered our T4 NETFILE option to approximately 3,000 small employers. We implemented major business solutions to support the corporate tax system, the harmonization of the Business Number, and Phase I of the government's Financial Information Strategy. Systems support for the *Customs Action Plan*, and the Integrated Customs System, fell short of targets in approved project plans, and as a result, stronger project management approaches were put in place along with closer monitoring of project schedules.

An ongoing challenge within our IT function is the recruitment of the next generation of IT professionals. Our work in IT renewal includes improvements to the IT workplace to help attract and retain the IT talent we need. This includes making changes to the physical environment, management style, employee participation, and formal and informal learning, as well as promoting pride in our IT workforce for the key role they play in delivering the CCRA's programs and services.

## The Road Ahead

The 2001-2002 to 2003-2004 *Corporate Business Plan* contains three change objectives for the reform and renewal of our management, human resources, and administrative regimes, which are being implemented over a three-year period. New authorities and flexibilities within our enabling legislation are the key enablers for this process. We intend to take full advantage of them by ensuring that the management frameworks we develop and the policies and practices we adopt are modern, effective, and meet the needs of our new organization.

Continued efforts in administrative reform and renewal will result in cost efficiencies, build tighter linkages between administrative reform and other change initiatives, and tailor our administrative frameworks and practices to meet the needs of our clients and staff.

A sustained investment in the CCRA's information technology infrastructure will facilitate our efforts to provide modern, innovative business solutions that meet the evolving needs of our clients. We will continue to build our IT capacities to stay at the leading edge of innovation and change management, and to improve service availability and reduce service disruptions. We will also develop better costing systems to produce a more accurate picture of the overall level of investment in our programs and services.

Achieving management excellence is of paramount importance in driving and sustaining a dynamic culture within the CCRA. The management model for excellence will serve as the blueprint for our future plans. It will ensure that we have all of the necessary comptrollership capacities, and that they are integrated appropriately and operating effectively.



Ensuring that our management cadre is cohesive and effective, with a common vision for the future and shared values is also critical. Full implementation of the new management group will be instrumental in achieving this goal. Managers will be supported with structures and practices to improve their capacity to make decisions and manage their programs. Greater decision-making authority will go hand in hand with increased transparency and accountability.

However, it is our employees who will continue to make change and innovation happen in the CCRA. We are pursuing an ambitious program of HR reform to ensure that we can compete effectively in the labour market for the right people with the right skills to meet future business demands. Over the next two years we will:

- consolidate the achievements made in the transition to agency status and the implementation of HR policies while phasing in the remaining elements of the redesigned human resources regime; and
- complete innovations such as the Agency Classification System, competency-based staffing, the career management and performance management system, the re-engineered compensation system, and the alternate dispute resolution system.

By the end of 2004-2005, the major components of our new HR regime, depicted in the following diagram, will be in place.

Exhibit 7: Framework of Human Resources
Transformation Initiatives

Management Group for Effective People Management

Statutory Change Drivers

Planning & Competencies/Service Delivery

Staffing

Dispute
Management

Labour
Relations & Compensation

Classification

Supporting Transformation Initiatives

Planning & Competencies/Service Delivery



Achieving HR reform and renewal is the most significant challenge facing the CCRA, and it will continue to be our top priority. When fully operational, our new HR regime will require substantially less management and employee time in HR transactions. Managers will be able to re-invest in value-added management activities such as communications with employees and close-to-the-source problem solving. We will ensure that our systems have accurate, reliable HR information to allow us to better measure and demonstrate results. When fully operational, we will have a human resources system driven by values rather than rules, owned by managers and employees, and tightly integrated with business needs.

In light of the above discussion of our performance, in 2001-2002 we will undertake the following to improve our performance:

Planned results	Related activities	Targeted completion date
Agency Classification System, competency-based staffing, career management and performance management system, re-engineered compensation system, and an alternate dispute resolution system     Effective, reliable HR performance information     Accountable, motivated, and coherent leadership	Fully implement the new human resources regime	2001-2004
Modern, innovative business solutions that meet the evolving needs of our clients     Improved service availability and reduced service disruptions     Better costing systems	Investment in the CCRA's information technology infrastructure	2003-2004
Effective performance data, clear targets and service standards, and results-oriented decision-making	Implement the new Agency Performance Measurement Framework	2003-2004*
Cost efficiencies     Tailored administrative frameworks and practices meeting the needs of our clients and staff     Better cost control systems	Implement administrative reform and renewal	2002-2004

<sup>\* 2001-2002</sup> to 2003-2004 Corporate Business Plan identifies deliverables by year

## Schedules



## Schedules **Schedules**



### Schedule A

# **Managing the Compliance Continuum**

To deliver on our mission of promoting compliance with Canada's tax, trade, and border laws, our overall approach is based on self-assessment and voluntary compliance. The underlying premise is that most people and businesses are honest and, given the opportunity and the right tools, will voluntarily comply with the law. This assumption is the cornerstone of our customs and tax systems, and indeed, our experience over the years supports this position.

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

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

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

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

While our current risk assessment systems do not cover all compliance issues, our judgement based on available evidence and estimates is that non-compliance is generally being contained at relatively low levels.

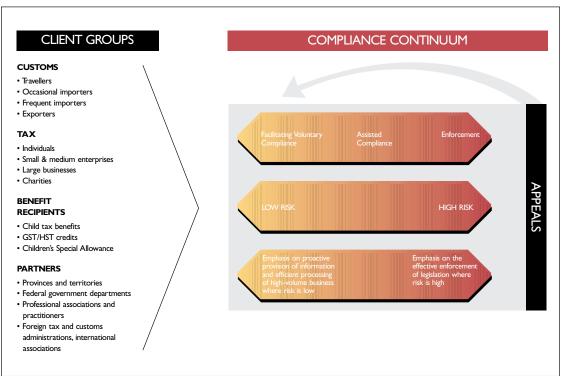
We work proactively to help Canadians voluntarily comply with tax and customs rules by providing information and assistance, and we strive to process transactions reliably and in a timely manner. At the same time, we maintain an enforcement capacity to take corrective action, as required along the compliance continuum. We work diligently to ensure a fair and equitable tax and customs administration within the constraints of our funding envelope. Such efforts, overall, promote the accurate reporting of income and trade data, reduce problems with insufficient tax and duty remittance, and facilitate the early detection of reporting errors. The prevention and early detection of potential compliance problems allows the CCRA to target its enforcement efforts, such as audits and investigations, towards high-risk areas outside the realm of withholding and document-matching programs where such programs apply.

While the majority of CCRA resources are devoted to voluntary compliance efforts (services that ensure Canadians have the capability to carry out their responsibilities), enforcement activities

(revenue collections, criminal investigations, searches, seizures, etc.) account for 17% of total resources. These activities are targeted towards those individuals or goods where the risk of lost revenues, criminal activity, and health and safety problems are the greatest.

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

Exhibit 1: Compliance Continuum



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

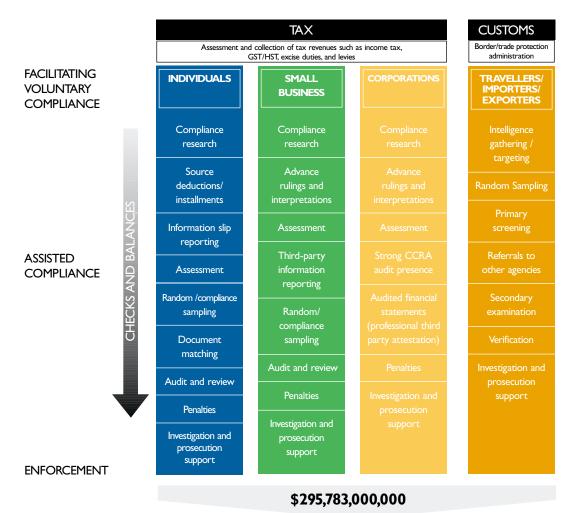
- the fairness and integrity of our tax system is protected for the benefit of all Canadians;
- commercial traffic crossing our borders is in compliance with trade agreements;
- Canadians are accessing the benefits and payments to which they are rightfully entitled; and
- the health, safety, and security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

As the core business of the CCRA involves managing the compliance continuum with an appropriate mix of service and enforcement measures, we need to support our resource allocation decisions with a variety of risk management practices and tools. These include: a strong legislative foundation; effective intelligence gathering; collaboration with partners to promote best practices that encourage compliance; compliance research, data matching and sampling; responsible resource allocation; a robust planning and evaluation capacity; and, above all, having in place a capable, adaptable, and committed workforce.



As illustrated in Exhibit 2, we have a robust set of checks and balances in place across the compliance continuum that allows the CCRA to target its more resource-intensive enforcement efforts towards areas of highest risk. These checks and balances promote the accurate reporting of income and trade data, reduce problems with insufficient tax and duty remittance, and facilitate the early detection of reporting errors.

Exhibit 2: Checks and Balances Support Robustness of Tax and Customs Systems



Sources of Total Tax Revenues (in \$ millions)				
Income Tax	223,429			
GST & HST	60,814			
Excise Duties and Taxes	8,339			
Customs Import Duties	3,006			
Other	195			
Total Tax Revenues	295,783			

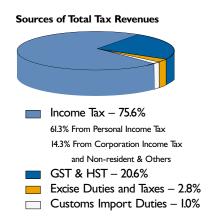
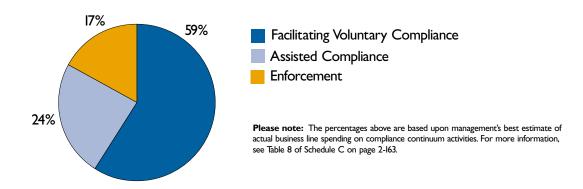


Exhibit 3 shows how we have allocated our resources across the compliance continuum. As depicted in the chart, most of the \$3.1 billion (excluding \$102.7 million in statutory transfers under the Children's Special Allowance) spent in 2000-2001 on regular program operations was focused on facilitation. Approximately 59% was allocated to client services including processing operations such as tax returns and benefit claims, and clearance of travellers and goods. The CCRA also dedicated 24% of total resources to assisted compliance activities such as reviews, audits, and secondary customs examinations. Enforcement activities (revenue collections, criminal investigations, searches, seizures, etc.) accounted for a relatively small share (17%) of total resources.

**Exhibit 3: Resource Allocation to the Compliance Continuum** 



# Estimated Resource Spending Along the Compliance Continuum for Our Five Business Lines (in \$millions)

CCRA Resources by Business line	Facilitating Voluntary Compliance	Assisted Compliance	Enforcement	Total
Tax Services	887.9	493.2	370.7	1,751.8
<b>B</b> enefits	45.8	5.7	_	51.51
Appeals	71.0	_	-	71.0
Customs	396.7	74.4	24.8	495.9
Corporate	383.8	144.3	100.5	628.6
CCRA's total	1,785.2	717.6	496.0	2,998.8

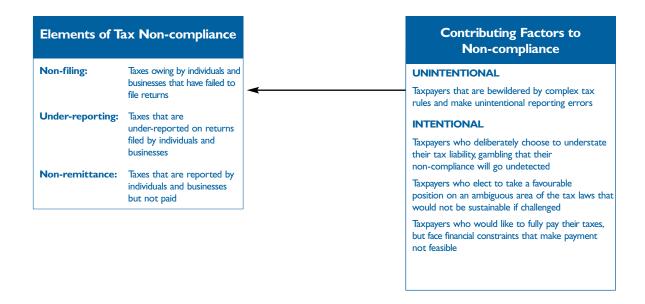
<sup>&</sup>lt;sup>1</sup> This amount excludes social transfers to individuals: \$102.7 million for the Children's Special Allowance and \$1,459 million for the Relief for Heating Expenses.



# **Understanding Non-compliance**

While overall compliance is high, like any other tax and border administration, we know that there will always be some degree of non-compliance. Exhibit 4 illustrates the elements and contributing factors associated with non-compliance as they pertain to tax services. The nature and sources of border non-compliance associated with the Customs business line are largely comparable.

#### **Exhibit 4: Understanding Tax Non-Compliance**



#### Schedule B

# Highlights of the CCRA's Baseline Study 2000

#### For income tax

- For returns filed in 2000, 95% of survey respondents were at least somewhat satisfied, and 70% were very satisfied.
- However, satisfaction levels were higher among those who did not participate in the completion of their income tax return (i.e. they had professional assistance) compared to those who did so themselves (77% very satisfied versus 66%).
- Among the 12% of respondents who reported some kind of contact with a CCRA office for information or assistance on an income tax matter, 93% strongly agreed they were able to get that help in the official language of their choice; 90% agreed that staff were courteous, including 66% who strongly agreed; 85% agreed that information provided was accurate; 80% agreed that staff are knowledgeable and competent; 70% agreed that everyone is treated equally; 72% agreed that the time it takes to obtain information or get service is acceptable; 72% agreed the information provided is clear and simple to understand; and 68% agreed that it is clear where to go or who to contact for information.
- 84% of respondents are satisfied with the processing period; 52% are very satisfied.
- 78% of respondents are aware of Direct Deposit and among those who use it 96% are satisfied including 87% who are very satisfied.
- Awareness of the Tax Information Phone Service (TIPS) is fairly low, at 40%, and among those who use it, only 48% are very satisfied.
- Overall ratings of the CCRA in income tax are the least positive of all the areas assessed.

#### For the Canada Child Tax Benefit Program

• Three-quarters of respondents rate the CCRA as doing a very good (38%) or good (37%) job.

#### For the GST/HST credit program

• Almost three-quarters of respondents rate the CCRA as doing a very good (31%) or good (42%) job.



#### For customs

- 91% agree that you are able to get service in the official language of your choice, including 85% who strongly agree.
- 88% agree that staff are knowledgeable and competent, and 84% agree that staff are courteous.
- 76% agree that the time it takes to get through customs is acceptable, including 43% who strongly agree.
- Among those who have customs-related dealings with the CCRA, three-quarters rate the CCRA as doing a very good (25%) or a good (50%) job.
- However, the CCRA receives a less positive assessment in terms of its performance in protecting Canada's borders, with 18% saying that it is doing a very good job, and 42% saying it is doing a good job.

### Schedule C

# Details of Financial Performance at the Corporate and Business Line Levels

#### Introduction

This Schedule provides additional Financial Performance Tables in support of the CCRA Performance Report.

#### **Financial Reporting Methodology**

The CCRA's funding is provided by Parliament through annual appropriations (modified cash basis) and the CCRA reports its expenditures in this report to Parliament on this same basis. However, this does not include, for example, certain accrual accounting adjustments or services provided by other government departments.

In addition to the above reporting requirements, the CCRA is also required to prepare its annual financial statements in accordance with the accounting principles consistent with those applied in preparing the financial statements of the Government of Canada (modified accrual basis). Accordingly, the CCRA Statement of Operations – Agency Activities does include the accrual accounting adjustments and services provided by other government departments referred to above.

Throughout the *CCRA Performance Report*, and the *Annex: Supplementary Performance Information by Business Line*, the modified cash approach is used. A reconciliation between the expenditures reported in the Performance Report, and those reported in the audited Statement of Operations – Agency Activities, is shown in Table 10 on pages 2-165 to 2-167.

#### **Overview**

The Planned Spending amount shown below represents the original funding approved through Main Estimates. This authority increased to \$4,745.1 million during 2000-2001 through Governor General Special Warrants, Supplementary Estimates, and other Treasury Board approvals or statutory adjustments of \$1,937.4 million.

Corresponding actual spending increased and totalled \$4,560.7 million, reflecting a total planned lapse of \$184.4 million, which the CCRA is entitled to carry forward to 2001-2002. However, of this total lapse, \$62.5 million relates to the Relief for Heating Expense—Fuel Tax Rebate Program, which leaves \$121.9 million as planned lapses for use by the CCRA in the upcoming years. Details of this amount are provided earlier in the Corporate Management and Direction business line.



#### **CCRA Financial Information**

Canada Customs and Revenue Agency	2000-2001
Planned Spending	\$2,807,654,658
Total Authorities	\$4,745,089,800
Actual Spending	\$4,560,720,857

Gross cash receipts collected by the CCRA totalled some \$296 billion, an increase of 7.1% from \$275 billion in 1999-2000.

In-year approvals include items such as: tobacco smuggling, \$1 million; retroactive lump-sum payments, \$2.9 million; nititative to combat money laundering, \$5.7 million; Summit of the Americas, \$0.4 million; Customs border modernization, \$36 million; transitional costs of capturing corporate financial information (GIFI), \$5.2 million; pay equity for the Personnel Administration Group, \$1.2 million; voluntary sector, \$0.9 million; Drug Strategy, \$0.8 million; return of funds to Treasury Board for special purpose allotments, (\$3 million); payments to Canadians under the Relief for Heating Expense - Fuel Rebate Program, \$1,521.8 million; 2000 Omnibus Submission relating to the February 2000 Federal Budget, \$91.8 million; collective agreements, \$75.6 million; administration of the joint provincial and federal sales taxes by the ministere du Revenu du Québec, \$26.6 million; administration of the Relief for Heating Expense - Fuel Rebate Program, \$8.2 million; measures announced in the October Economic Statement, \$0.3 million; Government On-Line Initiatives, \$31 million; operating budget carry forward from 1999-2000 to 2000-2001, including special purpose and frozen allotment carry forwards, \$69.5 million; adjustments to the Children's Special Allowance Statutory Payments, (\$15.3 million); increased expenditures compensated by respendable revenues for 14 new initiatives, \$13 million; adjustments to the employee benefit plans, \$45.2 million; and other approvals, \$35.6 million.

#### **Financial Performance Tables**

- Table 1: Summary of Voted Appropriations
- Table 2: Crosswalk Between Old and New Planning, Reporting, and Accountability Structures
- Table 3: Comparison of Total Planned to Actual Spending
- Table 4: Historical Comparison of Total Planned to Actual Spending 4.1: Details of Spending by Object
- Table 5: Non-Tax Revenue
  - 5.1: Total Respendable and Non-Respendable Revenue
  - 5.11: Respendable Revenue
  - 5.12: Non-Respendable Revenue
  - 5.2: Statement of Tax and Non-Tax Accounts Receivable at Fiscal Year-End
- Table 6: Statutory Payments
- Table 7: Transfer Payments
- Table 8: Resource Requirements by Organization (Functional) and Business Line
- Table 9: Capital Projects
- Table 10: Reconciliation of Expenditures Presented in the Performance Report to Those in Audited Financial Statements, Statement of Operations—Agency Activities
  - 10.1: Reconciliation of Spending by Object
  - 10.2: Reconciliation Notes



# ■ Schedules

Table I: Summary of Voted Appropriations

Vote		Planned Spending 2000-2001	Total Authorities 2000-2001	<b>Actua</b> 2000-2001
	National Revenue	2000 2001	2000 2001	
ı	Operating expenditures	2,187,612	4,053,757	3,875,975
5	Capital expenditures	13,727	13,733	10,000
10	Contributions	95,000	121,655	118,953
(S)	Minister of National Revenue- Salary and motor car allowance	52	52	5:
(S)	Spending of revenues received through the conduct of its operations pursuant to section 60 of the Canada Customs and Revenue Agency Act	23,866	37,035	37,03
(S)	Contributions to employee benefit plans	369,398	414,548	414,548
(S)	Children's Special Allowance payments	118,000	102,689	102,68
(S)	Spending of proceeds from the disposal of Surplus Crown Assets		790	63
(S)	Court awards		831	83
(S)	Refund of previous years' revenue			
	Total Agency	2,807,655	4,745,090	4,560,72

2,807,655

4,745,090

4,560,721

557.848

690.517

Table 2: Crosswalk Between Old and New Planning, Reporting, and Accountability Structures

The new Planning, Reporting, and Accountability Structure (PRAS) was approved by Treasury Board on August 22, 2000 (TB 828383), to provide more client-focused business lines with clearly defined accountabilities. This new PRAS consolidates Assessment of Returns, Assistance to Clients, Revenue Collections, and Verification and Enforcement under a single business line. It also introduces a new Benefit Programs and Other Services business line to concentrate the CCRA's work in support of income redistribution initiatives. Furthermore, Information Technology resources are now matched to all business lines in accordance with the direct support provided to each one.

		New Structure				
Previous Structure	Tax Services	Benefit Programs and Other Services	Appeals	Customs Services	Corporate Management and Direction	TOTAL AGENCY
Assistance to Clients	643,037	154,258			5,277	802,572
Total Authorities	752,200	1,672,375			7,019	2,431,594
Actual Spending	756,840	1,602,548			6,808	2,366,196
Customs and Trade Administration				454,259		454,259
Total Authorities				499,527		499,527
Actual Spending				479,794		479,794
Verification and Enforcement	624,799					624,799
Total Authorities	687,366					687,366
Actual Spending	656,566					656,566
Revenue Collections	284,415					284,415
Total Authorities	304,612					304,612
Actual Spending	299,612					299,612
Appeals			74,768			74,768
Total Authorities			85,057			85,057
Actual Spending			77,257			77,257
Administration and Information Technology	109,452	10,430	233	5,879	581,674	707,668
Total Authorities	145,170	4,086		15,903	712,601	877,760
Actual Spending	137,516	II,230		16,091	649,257	814,094
Revenues Credited to the Vote	(104,674)	(380)	(6,669)		(29,103)	(140,826)
Total Authorities	(104,674)	(380)	(6,669)		(29,103)	(140,826)
Actual Spending	(98,708)	(359)	(6,268)		(27,463)	(132,798)

164,308

1,676,081

1,613,419

68,332

78,388

70,989

460.138

515,430

495,885

Crosswalk Between Old and New Planning, Reporting and

Note: Numbers in normal font are planned spending as per 2000-2001 Report on Plans and Priorities. Numbers in italics denote Total Authorities from main and supplementary estimates and other authorities. Bolded numbers denote actual expenditures/revenues.

1.557.029

1,784,674

1,751,826

TOTAL AGENCY

Total Authorities
Actual Spending

Table 3: Comparison of Total Planned to Actual Spending

	7.80.107 1 1		7 100000	- P	-,	s Line (\$ tho			
Business Lines	FTE	Operating	Capital	Voted Grants & Contri- butions	Subtotal: Gross Voted Expendi- tures	Statutory Grants and Contribu- tions	Total Gross Expendi- tures	Less Revenues Credited to the Vote I	Total Net Expendi- tures
Tax Services	27,569	1,566,703		95,000	1,661,703		1,661,703	(104,674)	1,557,029
Total Authorities	28,724	1,767,693		121,655	1,889,348		1,889,348	(104,674)	1,784,674
Actual Spending	27,617	1,731,581		118,953	1,850,534		1,850,534	(98,708)	1,751,826
Benefit Programs and Othe	er								
Services	1,026	46,688			46,688	118,000	164,688	(380)	164,308
Total Authorities	1,000	1,573,772			1,573,772	102,689	1,676,461	(380)	1,676,081
Actual Spending	796	1,511,089			1,511,089	102,689	1,613,778	(359)	1,613,419
Appeals	1.272	75,001			75,001		75.001	(6,669)	68,332
Total Authorities	1,217	85,057			85,057		85,057	(6,669)	78,388
Actual Spending	1,098	77,257			77,257		77,257	(6,268)	70,989
Customs Services	7918	446.411	13.727		460.138		460.138		460.138
Total Authorities	7,992	501,697	13,733		515,430		515,430		515,430
Actual Spending	7,206	485,885	10,000		495,885		495,885		495,885
Corporate Management an	d								
Direction	6,661	586,951			586,951		586,951	(29,103)	557,848
Total Authorities	7.054	719.620			719.620		719.620	(29,103)	690.517
Actual Spending	6,456	656,065			656,065		656,065	(27,463)	628,602
Total	44,446	2,721,754	13,727	95,000	2,830,481	118,000	2,948,481	(140,826)	2,807,655
Total Authorities	45,987	4,647,839	13,733	121,655	4,783,227	102,689	4,885,916	(140,826)	4,745,090
Actual Spending	43,173	4,461,877	10,000	118,953	4,590,830	102,689	4,693,519	(132,798)	4,560,721
Other Revenues and Expen	ditures								
Non-Tax Revenues <sup>2</sup>									
Respendable Revenue Total Authorities	- Pursuant to t	he CCRA Act							(30,224) (37,035)
Actual Spending									(37,035)
Non-Respendable Rev	enue/								(256,658)
Total Authorities									(163,883)
Actual Spending									(163,883)
Cost of services provi	ded by other de	partments witl	nout charg	e³					316,300
Total Authorities									391,377
Actual Spending									391,377
Net Cost of the Program									2,837,073
Total Authorities									4,935,549
Actual Spending									4,751,180

Details can be found in the Statement of Operations – Agency Activities – Note 5 (see Financial Statements, page 3-20).

Note: Numbers in normal font are planned spending as per 2000-2001 Report on Plans and Priorities. Numbers in italics denote Total Authorities from main and supplementary estimates and other authorities. Bolded numbers denote actual expenditures/revenues.

<sup>&</sup>lt;sup>2</sup> Details are found in Tables 5.1 to 5.12.

<sup>&</sup>lt;sup>3</sup> Details can be found in the Statement of Operations – Agency Activities – Note I0 (see Financial Statements, page 3-23).

#### Table 4: Historical Comparison of Total Planned to Actual Spending

As discussed earlier, the CCRA has received additional funding starting in 2001-2002 as a result of the Resource and Management Review (RMR), as it was found that the CCRA's resources had not kept pace overall with increases in workload. Table 4 below presents the actual resource utilization levels since 1998-1999. Though there is an increase in spending levels, the RMR funding for 2001-2002 will not only adjust reference levels for the gap in workload funding in prior years but also restore the level of activity in revenue generation programs.

	Actual	Actual	Planned Spending	Total Authorities	Actua
Business Lines	1998-1999	1999-2000	2000-2001	2000-2001	2000-200
Tax Services	1,527,439	1.634,723	1,557,029	1,784,674	1,751,82
Benefit Programs and Other Services	131,295	128,514	164,308	154,262	154,15
Appeals	66,883	69,008	68,332	78,388	70,98
Customs Services	457,346	479,302	460,138	515,430	495,88
Corporate Management and Direction	574,220	623,623	557,848	690,517	628,60
Sub-total	2,757,183	2,935,170	2,807,655	3,223,271	3,101,45
Add: Benefit Programs and Other Services (Relief for Heating Expenses)				1,521,819	1,459,26
Total	2,757,183	2,935,170	2,807,655	4,745,090	4,560,72

Table 4.1: Details of Spending by Object

(\$ thousands)	Actual 1998-1999	Actual 1999-2000	Planned Spending 2000-2001	Total Authorities 2000-2001	Actual 2000-2001
Personnel					
Salaries and wages	I,834,474	1,916,632	1,894,401	2,152,826	2,015,040
Contributions to employee benefit plans	351,936	394,479	369,398	414,548	414,548
Sub-total	2,186,410	2,311,111	2,263,799	2,567,374	2,429,588
Goods and services					
Transportation and communications	159,419	160,377	125,816	169,699	174,010
Information	33,476	2,478	27,159	5,027	4,948
Professional and special services	160,682	154,801	130,283	143,013	146,830
Rentals	10,338	II,656	8,350	II,173	11,414
Purchased repair and maintenance	50,054	58,647	40,536	72,624	81,890
Utilities, materials, and supplies	46,108	62,323	37,374	62,568	64,176
Other subsidies and payments	(4,223)	13,003	24,066	1,524,184	1,461,632
Acquisition of machinery and equipment	79,361	97,748	64,371	92,177	94,501
Sub-total	535,215	561,033	457,955	2,080,465	2,039,401
Capital <sup>1</sup>					
Acquisition of land, buildings, and works	9,294	15,323	13,727	13,733	2,888
Transfer payments					
Grants (statutory payments)	68,973	88,227	118,000	102,689	102,689
Contributions	95,000	94,900	95,000	121,655	118,953
Sub-total	163,973	183,127	213,000	224,344	221,642
Gross Expenditures	2,894,892	3,070,594	2,948,481	4,885,916	4,693,519
Less: Revenues Credited to the Vote	(137,709)	(135,424)	(140,826)	(140,826)	(132,798)
Net Expenditures	2,757,183	2,935,170	2,807,655	4,745,090	4,560,721

Major Crown Projects are increasingly being contracted through suppliers other than PWGSC; this resulted in an increased amount being coded under "Purchased repair and maintenance" but has no impact on reporting of expenditures against the Agency's Vote 5 (Capital expenditures).



#### Table 5: Revenue

The CCRA is responsible for collecting non-tax revenue similar to other government departments and agencies, and tax revenue by virtue of its mandate, as described later in the Audited Financial Statements.

#### Non-Tax Revenue

Table 5.1: Total Respendable and Non-Respendable Revenue

(\$ thousands)	Actual 1999-2000	Actual 2000-2001	Planned 2000-2001		
Respendable Revenue - Pursuant to the CCRA Act and other accruals (Note I)		37,275	30,224		
Non-Respendable Revenue	154,975	163,883	256,658		
Total Respendable and Non-Respendable Revenue	154,975	201,158	286,882		
Note I – Actual amount shown is based on accrual basis, and differs from the Statutory Vote amount which is cash basis.					

# Table 5.II: Respendable Revenue<sup>1</sup>

(\$ thousands)	Actual 1999-2000	Actual 2000-2001	Planned 2000-2001
Refunds of previous years' expenditures		934	1,700
Sales of goods and services			
Rights and privileges			
Duty free shops		5,568	4.300
Brokers licence fees		388	336
Customs warehouse fees		1,137	1,406
Other		96	150
Services of a regulatory nature			
Ruling fees		1,321	1,150
Other		755	817
Services of a non-regulatory nature			
Administration of provincial programs		24,185	15,012
Special services fees		1,810	4,560
Other		771	767
Sales of goods and information products			
Other			6
Other fees and charges		70	20
Total Respendable Revenue Pursuant to the CCRA Act (cash receipts)		37,035	30,224
Adjustment for accruals		240	
Total Respendable Revenue		37,275	30,224

Note 1: As of 2000-2001, certain non-respendable revenues displayed in Table 5.12 became respendable for the CCRA prusuant to Section 60 of the CCRA Act.

Table 5.12 : Non-Respendable Revenue

(\$ thousands)	Actual 1999-2000	Actual 2000-2001	Planned 2000-2001
Y .	1777-2000	2000-2001	2000-2001
Refunds of previous years' expenditures	4.004		
Refunds of previous years' expenditures	4,894	10.117	2000
Adjustments to prior year's payables	2,271	10,117	3,800
Sales of goods and services			
Rights and privileges  Duty free shops	5.168		
Brokers' licence fees	982		
Customs warehouse fees	766		
Other	109		
	109		
Public building and property rental	643	669	610
Lease and use of public property	643	009	610
Services of a regulatory nature	1.166		
Ruling fees	1,100	15	18
Other	44	15	18
Services of a non-regulatory nature	20.652		4,523
Administration of provincial programs	1.227		4,323
Special services fees	•	67	27
Other	1,241 5.191	67 296	27
Other fees and charges	.,		400
Proceeds from the disposal of surplus Crown assets	378	640	400
Miscellaneous	22.406	24 201	23,356
Recovery of employee benefits Other	3.04	26,301 5.060	2.053
	3,041	.,	,
Interest on non-tax revenue - Other		II	5
Sub-Total	70,179	43,176	35,029
Interest and penalties earned on revenues			
Penalties - GST	79.380	87,641	75.650
Other	5.748	4,289	4.311
Interest - GST	55,663	70,293	51.034
Other	5,638	11,548	1,944
Other non-tax revenues	-,	,	.,
Revenues from fines			
Fines and forfeitures	4.683	14,931	7.465
Port seizures	8,410	11,209	8,100
Investigation services seizures	604	791	2,000
Customs seizures	(40)	(670)	,
Sales of goods and information products	( )	( , , , ,	
Sale of unclaimed goods, seals, etc.	1,178	65	65
Other	214	2	
Sub-Total	161,478	200,099	150,569
Interest paid on tax refunds - GST	(31,395)	(41 220)	30,760
onterest paid on tax retunds - GS I	(31,395) (45,287)	(41,328)	40,300
		(38,064)	•
Sub-Total	(76,682)	(79,392)	71,060
Total Non-Respendable Revenue	154,975	163,883	256,658
Total 14011-1163periuable nevenue	157,775	103,003	230,030



Table 5.2: Statement of Tax and Non-Tax Accounts Receivable at Fiscal Year-End

(\$ thousands)	As at March 31, 1999	As at March 3l, 2000	As at March 3I, 200I
Income Tax			
Personal <sup>1</sup>	5,312,130	6,280,278	6,466,120
Corporation	1,496,400	1,798,317	2,120,505
Scientific research tax credit <sup>2</sup>	2,465	1,585	1,585
Source deductions (employers)	972,882	933,312	1,039,768
Non-resident	248,141	324,775	423,386
Miscellaneous <sup>3</sup>	103,673	63,217	77,004
Retirement compensation arrangement tax	806	31	8
etroleum and gas revenue tax	983	71	53
Sub-total	8,137,480	9,401,586	10,128,429
Customs, Excise, GST and HST			
Goods and services tax / harmonized sales tax (GST/HST)	2,739,694	3,358,898	3,506,205
Other excise taxes and duties	165,087	113,998	160,119
Customs import duties	118,302	99,246	114,511
Adjudications	286	286	286
Sub-total	3,023,369	3,572,428	3,781,121
Total Tax Revenue Accounts Receivable <sup>4</sup>	II,160,849	12,974,014	13,909,550
Sundry (Non-Tax Revenue) Accounts Receivable <sup>5</sup>	414,285	425,017	339,323
Total Accounts Receivable	11,575,134	13,399,031	14,248,873

- <sup>1</sup> Excludes the prepayment of the Canada Child Tax Benefit (CCTB) and the goods and services tax credit (GSTC).
- Represents "returns assessed" under Part VIII of the Income Tax Act relating to scientific research project expenditures that have not been accepted as tax credits under SRTC legislation.
- <sup>3</sup> Includes tax and penalties assessed under T3-T4-T5 series of returns.
- Gross tax revenue Accounts Receivable, excluding amounts not payable under tax in dispute legislation (\$3,852.7 million at March 3I, 2001; \$3,461.7 million at March 3I, 2000; \$3,283.2 million at March 3I, 1999).
  Note that Public Accounts include net Accounts Receivable after Allowances for Doubtful Accounts (ADA).
- Includes non-tax Accounts Receivable for both Agency Activities and Administered Activities. Excludes revenue internal to the Government (2000-200I, \$20,026,447; 1999-2000, \$7,01I,514; 1998-1999, \$1,098,603).

Table 6: Statutory Payments

Statutory Payments by Business Line (\$ thousands)						
Business Line	Actual 1998-1999	Actual 1999-2000	Planned Spending 2000-2001	Total Authorities 2000-2001	Actual 2000-2001	
Benefit Programs and Other Services	69,973	88,227	118,000	102,689	102,689	
Total Statutory Payments	69,973	88,227	118,000	102,689	102,689	
Note: These amounts represent Children's Special Allowance Statutory Vote Payments.						

Table 7: Transfer Payments

Transfer Payments by Business Line (\$ thousands)						
Business Line	Actual 1998-1999	Actual 1999-2000	Planned Spending 2000-2001	Total Authorities 2000-2001	Actual 2000-2001	
Tax Services	95,000	94,900	95,000	121,655	118,953	
Total Transfer Payments	95,000	94,900	95,000	121,655	118,953	
Note: These amounts represent contributions to federal and provincial sales taxes.	to the Province of	Quebec in respec	ct of the joint adm	ninistration costs		



Table 8: Resource Requirements by Organization (Functional) and Business Line

by Organization and Business Line (\$ thousands)  Business Lines						
		Benefit Programs			Corporate	
		and Other		Customs	Management	Organizatio
Organization	Tax Services	Services	Appeals	Services	and Direction	Tota
Executive Office	0	0	0	0	4,648	4.64
Total Authorities	0	0	Ö	0	5,263	5,26
Actual Spending	Ŏ	ő	ŏ	ŏ	4,857	4,85
Actual Spending	· ·	Ţ	·	·	1,057	1,05
AC, Policy and Legislation Branch	148,514	0	0	0	5,277	153,79
Total Authorities	184,343	0	0	0	7,019	191,36
Actual Spending	177,164	0	0	0	6,808	183,97
AC, Assessment and Collections Branch	642.209	154,258	0		0	796,46
Total Authorities	766,346	1,672,375	0	0	0	2,438,72
	785,IOI		Ŏ	0	Ŏ	
Actual Spending	705,101	1,602,548	U	U	U	2,387,64
AC, Customs Branch	0	0	0	440,532	0	440,5
Total Authorities	0	0	0	485,794	0	485,79
Actual Spending	0	0	0	469,794	0	469,79
AC, Compliance Programs Branch	624,799	0	0	0	0	624,79
Total Authorities	687,366	0	0	0	0	687,36
Actual Spending	656,566	0	0	0	0	656,56
	,	_	-	_	_	,-
AC, Appeals Branch	0	0	74,768	0	0	74,7
Total Authorities	0	0	85,057	0	0	85,0
Actual Spending	0	0	77,257	0	0	77,2
ACs, Regional Operations	48,609	0	0	0	0	48,60
Total Authorities	57.533	0	0	0	0	57,5
Actual Spending	44,093	0	0	0	0	44,09
AC C	10,539	0	0	0	0	10,5
AC, Communications Branch					-	
Total Authorities	14,323	0	0	0	0	14,3
Actual Spending	13,965	0	0	0	0	13,9
AC, Finance and Administration Branch	134,010	0	0	14,052	201,576	349,6
Total Authorities	109,063	386	0	14,093	282,616	406,1
Actual Spending	96,114	0	0	10,000	258,976	365,09
ACII D. D. I	0	0	0	0	90,557	90,5
AC, Human Resources Branch		0	0	0		
Total Authorities	0	-	-	_	139,152	139,1
Actual Spending	0	0	0	0	137,743	137,74
AC, Information and Technology Branch	53,023	10,430	233	5,554	258,956	328,I
Total Authorities	70,374	3,700	0	15,543	260,850	350,4
Actual Spending	77,531	II,230	0	16,091	220,053	324,90
AC, Corporate Affairs Branch	0	0	0	0	25,937	25,9
Total Authorities	0	0	0	0	24,720	24,7
	<b>0</b>	<b>0</b>	0	<b>0</b>	24,720 <b>27,628</b>	24,7 <b>27,6</b> 2
Actual Spending	U	U	U	U	21,028	41,0
Revenues Credited to the Vote	(104,674)	(380)	(6,669)	0	(29,103)	(140,82
Total Authorities	(104,674)	(380)	(6,669)	0	(29,103)	(140,82
Actual Spending	(98,708)	(359)	(6,268)	0	(27,463)	(132,79
Totals	1,557,029	164,308	68,332	460,138	557,848	2,807,6
Total Authorities	1,784,674	1,676,081 <b>1,613,419</b>	78,388 <b>70,989</b>	515,430 <b>495,885</b>	690,517 <b>628,602</b>	4,745,0 <b>4,560,7</b>
Actual Spending	1,751,826					

Note: Numbers in normal font are planned spending as per 2000-2001 Report on Plans and Priorities. Numbers in italics denote Total Authorities from main and supplementary estimates and other authorities. Bolded numbers denote actual expenditures/revenues.

Table 9: Capital Projects

Capital (Vote 5) Projects by Business Line (\$ thousands)						
	Current Estimated	Actual	Actual	Planned Spending	Total Authorities	Actual
Business Line	Total Cost	1998-1999	1999-2000	2000-2001	2000-2001	2000-2001
Customs Services						
New Facilities Projects:						
Saint-Bernard-de-Lacolle, Que.	13,938	100	25			
Coutts, Alberta	16,520	100	2,856	2,650	2,562	217
Coutts - Animal Inspection, Alberta	1,600		,	ŕ	1,600	1,600
Emerson, Manitoba	12,200	3,700	7,342	466	221	406
Emerson East-Lynn, Manitoba	400			25		
Little Gold Creek, B.C.	1,760	1,400	51	206	281	281
Osoyoos, B.C.	16,950	100	1,284	3,000	4,558	4,559
Andover, N.B.	5,775	100	94	578	10	43
Armstrong, Que.	6,776		2	100		
Douglas, B.C.	16,243		84	1,504	123	123
Nelway, B.C.	829		735			36
Aldergrove, B.C.	9,835			100		
Regway, Sask.	384		25			
Trout River, Que.	2,934			88		
Fort Frances, Ont.	20		21	15	II	II
<b>Existing Facilities Projects:</b>						
Health and Safety Projects	8,640	1,800	1,283	4,095	3,018	1,535
Other Projects	12,960	1,994	1,919	900	1,349	1,189
Total Capital Projects	127,764	9,294	15,721	13,727	13,733	10,000

Table I0: Reconciliation of Expenditures Presented in the Performance Report to Those in Audited Financial Statements, Statement of Operations—Agency Activities

PERFORMANCE REPORT and SUPPLEMENTARY INFORMATION BY BUSINESS LINE (see Table 3, page 2-157)		EXTRACTS FROM AUDITED FINANCIAL STATEMENTS STATEMENT OF OPERATIONS — AGENCY ACTIVITIES (see CCRA Financial Statements, page 3-15)			
		OPERATING AND ADMINISTRATION EXPENDITURES	5		
Operating	4,461,877	Services	3,405,65		
Capital	10,000	Goods	160,96		
Voted Grants and Contributions	118,953	Other Expenditures	2,36		
Subtotal	4,590,830				
Statutory Grants and Contributions	102,689	Total operating and administration expenditures	3,568,99		
Total Gross Expenditures	4,693,519	Non-Tax Revenue	(213,249		
Less: Revenues credited to Vote I	(132,798)	(See CCRA Financial Statements, page 3-20)			
		Credited to Vote I - CCRA (132,798)			
		Respendable Revenue (37,275) *			
		Other Non-Tax Revenue (43,176) **			
	4,560,721	Net Cost of Operations	3,355,74		
to reconcile to mo Stateme	accounting methodified accrual acent of Operations	hodology used in the Performance Recounting methodology used in s - Agency Activities:			
Adjustments to modified cash to reconcile to mo	accounting methodified accrual acc	hodology used in the Performance Rocounting methodology used in			
Adjustments to modified cash to reconcile to mo Stateme	accounting methodified accrual acent of Operations	hodology used in the Performance Rocounting methodology used in			
Adjustments to modified cash to reconcile to mo Stateme Performance Report	accounting methodified accrual acent of Operations	hodology used in the Performance Recounting methodology used in second Activities:			
Adjustments to modified cash to reconcile to mo Stateme Performance Report ADD:	accounting methodified accrual acent of Operations 4,560,721	hodology used in the Performance Rocounting methodology used in			
Adjustments to modified cash to reconcile to mo Stateme Performance Report  ADD: Termination benefits	accounting methodified accrual accent of Operations  4,560,721	hodology used in the Performance Recounting methodology used in second Activities:			
Adjustments to modified cash to reconcile to mo Stateme  Performance Report  ADD:  Termination benefits  Vacation pay and compensatory leave	accounting methodified accrual accent of Operations  4,560,721  25,398 20,652	hodology used in the Performance Recounting methodology used in s - Agency Activities:  Accrual Adjustments			
Adjustments to modified cash to reconcile to most Stateme  Performance Report  ADD: Termination benefits Vacation pay and compensatory leave Employer's contribution to health plans Worker's compensation benefits	accounting methodified accrual accent of Operations  4,560,721  25,398  20,652  112,842	hodology used in the Performance Recounting methodology used in second Activities:	eport		
Adjustments to modified cash to reconcile to mo Stateme  Performance Report  ADD: Termination benefits Vacation pay and compensatory leave Employer's contribution to health plans Worker's compensation benefits Accommodation	accounting methodified accrual accent of Operations  4,560,721  25,398 20,652 112,842 3,032	hodology used in the Performance Recounting methodology used in s - Agency Activities:  Accrual Adjustments  Services Provided by OGDs	eport		
Adjustments to modified cash to reconcile to most Stateme  Performance Report  ADD:  Termination benefits  Vacation pay and compensatory leave  Employer's contribution to health plans	25,398 20,652 112,842 3,032 214,326	hodology used in the Performance Recounting methodology used in s - Agency Activities:  Accrual Adjustments  Services Provided by OGDs	eport		
Adjustments to modified cash to reconcile to most at the reconcile to modified and the reconcile to modified at the reconcile t	25,398 20,652 112,842 3,032 214,326 57,907	hodology used in the Performance Recounting methodology used in s - Agency Activities:  Accrual Adjustments  Services Provided by OGDs	eport		
Adjustments to modified cash to reconcile to mo Stateme  Performance Report  ADD:  Termination benefits  Vacation pay and compensatory leave  Employer's contribution to health plans  Worker's compensation benefits  Accommodation  Legal services provided without charge	25,398 20,652 112,842 3,032 214,326 57,907	hodology used in the Performance Recounting methodology used in s - Agency Activities:  Accrual Adjustments  Services Provided by OGDs	eport ee 3-23)		
Adjustments to modified cash to reconcile to most Stateme  Performance Report  ADD: Termination benefits  Vacation pay and compensatory leave Employer's contribution to health plans  Worker's compensation benefits  Accommodation  Legal services provided without charge  Audit services provided without charge  LESS:  Relief for Heating Expenses	25,398 20,652 112,842 3,032 214,326 57,907 3,270	hodology used in the Performance Recounting methodology used in s - Agency Activities:  Accrual Adjustments  Services Provided by OGDs (See CCRA Financial Statements, page)	eport  e 3-23)		
Adjustments to modified cash to reconcile to mo Stateme  Performance Report  ADD: Termination benefits  Vacation pay and compensatory leave Employer's contribution to health plans  Worker's compensation benefits  Accommodation  Legal services provided without charge  Audit services provided without charge  LESS:  Relief for Heating Expenses  Children's Special Allowance  Respendable revenue pursuant to Section 60 -	25,398 20,652 112,842 3,032 214,326 57,907 3,270	hodology used in the Performance Recounting methodology used in s - Agency Activities:  Accrual Adjustments  Services Provided by OGDs (See CCRA Financial Statements, page Statement of Operations - Admi Activities (See CCRA Financial Statements)	eport  e 3-23)  nistered ments, page 3-3		
Adjustments to modified cash to reconcile to mo Stateme  Performance Report  ADD: Termination benefits Vacation pay and compensatory leave Employer's contribution to health plans VVorker's compensation benefits Accommodation Legal services provided without charge Audit services provided without charge LESS: Relief for Heating Expenses Children's Special Allowance	25,398 20,652 112,842 3,032 214,326 57,907 3,270 (1,459,267) (102,689)	hodology used in the Performance Recounting methodology used in san Agency Activities:  Accrual Adjustments  Services Provided by OGDs (See CCRA Financial Statements, page Statement of Operations - Admi	ge 3-23) nistered ments, page 3-3		

Table I0.I: Reconciliation of Spending by Object

PERFORMANCE REPORT and SUPPLEMENTARY INFORMATION BY BUSINESS LINE (see Table 4.1, page 2-158)		EXTRACTS FROM AUDITED FINANCIAL STATEMENTS STATEMENT OF OPERATIONS — AGENCY ACTIVITIES (see CCRA Financial Statements, page 3-15)			
Personnel		OPERATING AND ADMINISTRATION EXPENDITURES			
Salaries and wages	2,015,040	Services			
		Personnel			
Contributions to employee benefit		Salaries		1,919,013	
plans	414,548	Other allowances and benefits			
	2,429,588 AI	- Employee benefit plans	414,548		
Goods and Services		- Allowances and Other	257,951	672,499	
Transportation and communications	174.010			2,591,512	
Professional and special services	1/4,830 CI				
·	1-10,030	Accommodation		2l4,326 B	
Purchased repair and maintenance	81,890	Transportation and communications		174,010	
Rentals	11,414				
Information	4,948	Professional and special services			
Utilities, materials and supplies	64,I76 EI	- Services paid by CCRA	102,323		
Other subsidies and payments		- Legal Services provided without charge	57,907		
- Relief for Heating Expenses 1,459,267		- Audit Services provided without charge	3,270	163,500 C	
- Other 2,365	I,46I,632 GI				
Acquisition of machinery and equipment	94,501 <b>FI</b>	Transfer payment to the province of Quebec			
, , , , , , , , , , , , , , , , , , , ,	2,039,401	(GST joint administration)		118,953	
Capital		Purchased repair and maintenance		81,890	
Acquisition of land, buildings and works	2,888	Other services		44,507	
		Rentals		11,414	
Transfer Payments		Information		4,948	
Grants (statutory payments)	102,689	Utilities		598 E	
Contributions	II8,953 <b>DI</b>			3,405,658	
	221,642	Goods			
Gross Expenditures	4,693,519	Equipment		94,50I <b>F</b>	
Gross Experiationes	1,075,517	Materials and supplies		63,578 E	
Less: Revenues Credited to the Vote	(132,798) HI	Land, building and works		2,888	
Net Expenditures	4,560,721			160,967	
rec Experiences	<del></del>	Other Expenditures			
		Subsidies and other		2,365 <b>G</b>	
		Total operating and administration expenditures	_	3,568,990	
		Non-Tax Revenue		(2l3,249) H	
		Net Cost of Operations		3,355,741	



# Table 10.2: Reconciliation Notes

D. C. D		2 420 500	Α.
Performance Report		2,429,588	AI
ADD:	25.200		
Termination benefits	25,398		
√acation pay and compensatory leave *	20,652		
Employer's contribution to health plans **	II2,842	1/1024	
Workers' Compensation Benefits***	3,032	2,591,512	A 2
Statement of Operations - Agency Activities		2,591,512	A2
* Change in accrued liability			
** Paid by Treasury Board			
*** Charged to Human Resources and Development Canada			
Accommodation (service provided without charge - not incl. in CCRA Performance Rep	oort)	214,326	<b>B2</b>
Professional and Other Services			
Professional and special services (Performance Report)		146,830	CI
ADD: Legal Services provided without charge *		57,907	
ADD: Audit Services provided without charge ***		3,270	
		208,007	
Other services (Statement of Operations - Agency Activities)		44,507	C2
Professional and special services (Stat. of Operations - Agency Activities)		163,500	C2
		208,007	
* Provided and paid by Justice Canada			
** Provided and paid by the Office of the Auditor General			
Utilities, Materiels, and Supplies			
Utilities, Materiels and Supplies (Performance Report)		64,176	EI
Utilities (Statement of Operations - Agency Activities)		598	E2
Materials and supplies (Statement of Operations - Agency Activities)		63,578	E2
		64,176	
Non-Tax Revenue			
Revenues Credited to Vote I - Performance Report		(132,798)	ні
ADD:		, ,	
Respendable Revenue (Pursuant to CCRA Act and accruals)		(37,275)	
Other Non-Tax Revenue		(43,176)	
Statement of Operations - Agency Activities		(213,249)	H2
The following items are included in the Performance Report and in the Statement of Op <b>Activites</b> but <u>not</u> in the Statement of Operations - <b>Agency Activites</b>	perations - Administered		
Relief for Heating Expenses		1,459,267	GI
Grants (Children's Special Allowance)		102,689	Ш

# Schedule D

# **Glossary**

**Accrual accounting** – The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which they are considered to have been earned and incurred, whether or not such transactions have been settled finally by the receipt or payment of cash or its equivalent.

**Activity based costing** – A methodology that measures the cost and performance of activities, resources, and cost objects, assigns resources to activities and activities to cost objects based on their use, and recognizes the causal relationships of cost drivers to activities.

**Adjudications** – The mandate of the Adjudications Division is to review objections to enforcement actions taken under the *Customs Act* and to render decisions to those objections in a fair, impartial, transparent, and timely manner. This program is not delivered regionally or at the border—the Adjudications Division in Headquarters conducts the administrative redress process. When an objection is filed under the *Excise Act*, Adjudication's role is limited to advising individuals of the proper procedure to appeal in court and to providing direction to the Department of Justice during this process.

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

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

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

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

Caller accessibility – The percentage of individuals who reach an agent or get into a queue.

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

**Contingency payment** – A payment made in good faith to a benefit client where required tax returns are not received and/or processed. This payment replaces the first monthly payment (July) in the annual cycle, and depending on when/if the return is filed, will either be treated as an overpayment, or will be adjusted with up-to-date income information in the second month of the payment cycle.



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

Data mart - Similar to a data warehouse, but focused on, and limited to, a smaller group or subset of data.

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

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

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

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

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

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

**Employment Insurance Family Supplement** – Family based supplementary payments issued by Human Resources Development Canada using CCTB eligibility and entitlement information provided by CCRA on a monthly basis.

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

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

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

**Expected outcome** – The expected result, effect or consequence that occurs from carrying out a program or activity—a long-term, ultimate measure of success or strategic effectiveness.

This Annual Report includes performance information on the expected outcomes for five business lines:

#### Tax Services:

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

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

#### Benefit Programs and Other Sources:

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

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

#### **Customs Services:**

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



#### Appeals:

Canadians receive an impartial and timely review of contested decisions through our redress system – In the context of this expected outcome, our aim is to provide clients with a fair dispute resolution process. An impartial and timely process fosters trust in the integrity of our tax and customs systems, which helps promote voluntary compliance with these systems. To earn and keep the trust of our clients, we have to have an appeal process that is fair and that is also seen to be fair. A basic aspect of fairness is ensuring clients are informed of their rights and how to exercise them. Making sure the process is timely, accessible, and consistent also contributes to its actual and perceived fairness.

#### Corporate Management and Direction:

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

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

**Fairness provisions** – Legislation introduced in the early 1990s that provides relief (e.g., forgiveness of interest and penalties) to clients in certain circumstances beyond their control (such as hardship).

**Fairness Initiative** – Change initiative introduced in 1999 and co-ordinated by the Appeals business line that supports and strengthens the fairness of all CCRA programs.

Filing compliance – The voluntary and timely filing of a required tax return.

**Focus group technique** – Qualitative research, usually undertaken by qualified consultants, designed to provide insight into public reaction to, or attitudes or impressions about, a narrow topic. Unlike quantitative research, results cannot be attributed to the entire population.

**Focus test** – A qualitative analysis designed to gauge public reactions, attitudes, or impressions about a narrowly defined topic. These analyses are carried out with the aid of focus groups—facilitated interviews typically involving six to ten members of a relevant client group.

**FTE** – Full-time equivalent (FTE) is a measure of human resource consumption based on average levels of employment. FTE factors out the length of time that an employee works during each week by calculating the rate of assigned hours of work over scheduled hours of work.

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

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

**Guaranteed Income Supplement** – A program aimed at supplementing the income of low-income seniors which is administered by HRDC.

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

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

The CCRA has identified seven intermediate outcomes:

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

**Memorandum of understanding** – A formal agreement between two or more parties that lays out terms and conditions for fulfilling commitments and undertakings that have been mutually agreed to.

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



#### **Modified Cash Accounting**

**Cash accounting** – The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which the related cash receipts or disbursements occur.

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

**Non-arm's length transaction** – A transaction among participants who are not dealing at arm's length with each other; for example, a transfer of assets between members of a related corporate group.

**Non-refundable credit** – Non-refundable tax credits reduce the amount of income tax you owe. However, if the total of these credits is more than the amount you owe, you will not get a refund for the difference.

**Non-workable disputes** – Files that cannot be pursued because they are referred to another party (for example, to Headquarters or to the Department of Justice) for opinion or they are related to a case in court on the same issue.

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

**Output** – The actual activities, products, or services produced by carrying out a program or initiative. To be differentiated from outcomes, which are considered the effects or ramifications of outputs; e.g., an audit may generate additional tax revenue as an output and result in increased taxpayer compliance as an outcome.

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

**Performance measure** — A performance measure describes how well the organization is doing in terms of meeting its goals and objectives. The common types of measures include: effectiveness measures—extent to which the organization is achieving the outcome (doing the right thing); efficiency measures—the proposed ratio of relevant outputs to relevant inputs (doing things right); client service —the degree to which the needs and expectations of the recipients of the service are satisfied with the level and quality of service received; and timeliness—the extent to which the work is done on time.

**Performance reporting** – The process of communicating evidence-based performance information. Performance reporting supports decision-making, serves to meet accountability requirements, and provides a basis for citizen engagement and a performance dialogue with parliamentarians.

**Planned spending** – Main estimates (Report on Plans and Priorities)

**Processing time** – For income tax, GST/HST/excise, CPP/EI, and trade administration programs, processing time means the average number of calendar days between the date of mailing of the Notice of Objection and the date the client was notified of a final CCRA decision, excluding the number of days a dispute was in non-workable status. For the Adjudications program, processing time excludes files that at any time were held in non-workable status.

**Refundable credit** – Refundable tax credits are credits against tax owed. If the total of these credits is more than the amount you owe, you may claim a refund for the difference.

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

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

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

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

**Spike centre** – A CCRA location that is used to assist primary sites in handling high call-demand over short periods of time.

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

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

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



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

**Total authorities** – Main estimates + supplementary estimates + year-end adjustments; i.e., the full amount available to spend.

**Transfer price** – The price at which parties trade services, tangible property, and intangible property across international borders.

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

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

**Voluntary Disclosures Program** – Provides clients with the opportunity to correct any past errors or omissions, and to report without penalty to the CCRA on their tax, duty, and tariff obligations.

**Waiver** – When penalties or interest have not yet been charged, a determination is made not to charge the amount, either at the client's request or on the CCRA's own initiative.

# **About Accountability**

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

### **CCRA's expected outcomes**

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

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

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

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

### Rating our performance

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

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

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



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