



Office of the Auditor General of Canada

Performance Report

For the period ending
March 31, 1998

Canada

Improved Reporting to Parliament Pilot Document

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

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

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

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Foreword

On April 24, 1997, the House of Commons passed a motion dividing on a pilot basis what was known as the annual *Part III of the Estimates* document for each department or agency into two documents, a *Report on Plans and Priorities* and a *Departmental Performance Report*.

This initiative is intended to fulfil the government's commitments to improve the expenditure management information provided to Parliament. This involves sharpening the focus on results, increasing the transparency of information and modernizing its preparation.

This year, the Fall Performance Package is comprised of 80 Departmental Performance Reports and the government's "*Managing For Results*" report.

This *Departmental Performance Report*, covering the period ending March 31, 1998, provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's *Part III of the Main Estimates* or pilot *Report on Plans and Priorities* for 1997-98. The key result commitments for all departments and agencies are also included in *Managing for Results*.

Results-based management emphasizes specifying expected program results, developing meaningful indicators to demonstrate performance, perfecting the capacity to generate information and reporting on achievements in a balanced manner. Accounting and managing for results involve sustained work across government

The government continues to refine and develop both managing for and reporting of results. The refinement comes from acquired experience as users make their information needs more precisely known. The performance reports and their use will continue to be monitored to make sure that they respond to Parliament's ongoing and evolving needs.

This report is accessible electronically from the Treasury Board Secretariat Internet site:
<http://www.tbs-sct.gc.ca/tb/key.html>

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**Office of the
Auditor General of Canada**

Performance Report

**For the
period ending
31 March 1998**

**L. Denis Desautels, FCA
Auditor General of Canada**

**Honourable Paul Martin, P.C., MP
Minister of Finance**

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Section I

Message from the Auditor General



We are committed to promoting answerable, honest and productive government. Through independent audits and examinations we provide Parliament with objective information, advice and assurance. From this work, Parliament can hold government to account for its stewardship of public funds. This Performance Report describes the extent to which we have delivered on our commitment.

The Office of the Auditor General is having an impact by contributing in a number of different ways to securing accountability and promoting value for money across the federal government. Our value-for-money work quite often leads to improvements in government operations. For instance, we identified opportunities to generate several millions in potential annual interest revenue for the government by depositing taxpayer receipts more promptly. As a result, changes to the practices and procedures surrounding these deposits have already been undertaken.

The issues we tackle invariably require action and commitment by others. For instance, our government-wide audit on preparedness for the Year 2000 gave parliamentarians a more complete picture of the extent of the problem and its urgency. Our work has resulted in an accelerated effort by the Treasury Board Secretariat and departments to aggressively manage the problem.

Our annual audit of the financial statements of the Government of Canada adds to the credibility and understandability of the information provided in them. Unfortunately, in 1996–97 I expressed a qualified opinion on the statements because we had reservations about the information they presented. Our reservation stemmed from the fact that the government had departed from objective accounting standards and its own accounting standards in preparing these financial statements. A recent study undertaken by our Office called Parliament's attention to these problems.

In our Performance Report last year, we established cost targets to reduce the expenditures on our own audit activities. Overall, the Office has been successful in its efforts to deliver products of the same quality at costs below the established targets.

Our performance is often measured by the actions of others: our work influences change that others are responsible for implementing. Sometimes we are successful at influencing change; other times we are not. For example, in our chapter on Human Resources Development Canada's transition toward results-based management, we indicated that parliamentarians would be in a better position to serve taxpayers if they had access in one single document to information on both the performance and the financial components of the Employment Insurance Account. So far, the government has decided not to implement our recommendation. We will pursue and report on these issues in our regular follow-up work and our future Performance Reports. I am convinced that there is a potential for additional savings and further improvements in the

government's accountability if more of our recommendations are implemented, or implemented more quickly.

Through conformance with professional standards, a highly skilled and multidisciplinary staff, adherence to an internal quality management system and the parliamentary interest that our work generates, we can assist in promoting accountability within the government. I believe we have been successful in delivering on our commitment.

L. Denis Desautels, FCA
Auditor General of Canada

Section II

Overview of the Office

Mandate, Roles and Responsibilities

Enabling Legislation

1. The *Auditor General Act*, the *Financial Administration Act* and a variety of other acts and orders-in-council set out the duties of the Auditor General and the Commissioner of the Environment and Sustainable Development as they relate to legislative auditing and monitoring of federal departments and agencies, Crown corporations, territorial governments and other national and international organizations.

Activity

2. The principal activity of the Office is *legislative auditing*. Put simply, the Auditor General is required to provide Parliament and the Canadian people with answers to the following questions about the Office's activities:

Legislative Auditing

Components of our business line ¹	Provides Parliament and the Canadian people with answers to the following questions:
Attest audit of the Financial Statements of the Government of Canada	Is the government presenting fairly its overall financial situation?
Annual audits of Crown corporations and other entities	Are Crown corporations and other entities presenting their financial information fairly and complying with relevant legislative authorities?
Value-for-money audits of departments and agencies	Were departmental and agency programs run economically and efficiently, and with due regard to their environmental effects? Does the government have the means to measure the effectiveness of programs? Is legislation complied with and the public purse protected?
Special examinations of Crown corporations	Do systems and practices of Crown corporations provide reasonable assurance that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively?
Environment and sustainable development monitoring activities	To what extent did departments meet the objectives and implement the plans set out in their sustainable development strategies laid before the House of Commons?

¹In all our work, we also consider compliance with authorities.

3. We are different from departments and agencies by virtue of our independence from the government and our reporting relationship to Parliament. Our independence is assured by a broad legislative mandate, freedom from certain controls over our budget and staff, and a 10-year mandate for the Auditor General.

The Commissioner of the Environment and Sustainable Development

4. The Commissioner's primary role and responsibility is to monitor, on behalf of the Auditor General, the sustainable development strategies and action plans of departments and the status of, and responses to, public petitions on environmental matters. The Commissioner is also required to report annually on the results of his work.

The OAG Vision and Mission

5. The Office's Strategic Framework, which was last updated in January 1998, includes our Vision and Mission Statements to guide the work of the Office.

Vision

We are committed to making a difference for the Canadian people by promoting, in all our work for Parliament, answerable, honest and productive government that reflects a commitment to sustainable development.

Mission

The Office of the Auditor General of Canada conducts independent audits and examinations that provide objective information, advice and assurance to Parliament. We promote accountability and best practices in government operations.

Objectives

We want to make a difference by promoting:

- a fair and frank accounting of the government's stewardship of financial and other resources;
- efficiency and productivity in the public service;
- cost effectiveness in government activities;
- collection of revenues owed to the Crown;
- objective assurance on matters found to be satisfactory and unsatisfactory;
- compliance with authority;
- honesty in government; and
- environment and sustainable development.

Priorities – 1998–2000

- Help improve the government's finances and information on its financial condition.
 - Stimulate advances in accountability concepts and improve accountability practices in government.
 - Influence the quality of financial management in government.
 - Contribute to necessary changes in the public service.
 - Implement fully the role of the Commissioner of the Environment and Sustainable Development.
-



6. We share these objectives with many other parties inside and outside government, which complicates the attribution of results to the audits we perform. Many share a commitment to good government, and it is often through their co-operation and participation that we effect change. We assess our own effectiveness in terms of our ability to conduct high-quality audits that address significant topics and contribute to **making a difference**, as described in Section III of this document.

Organization of the Office

7. The Executive Office provides overall policy direction, legal support, professional practice review and oversees our international activities.

8. The Corporate Services Branch provides direct support to the audit function.

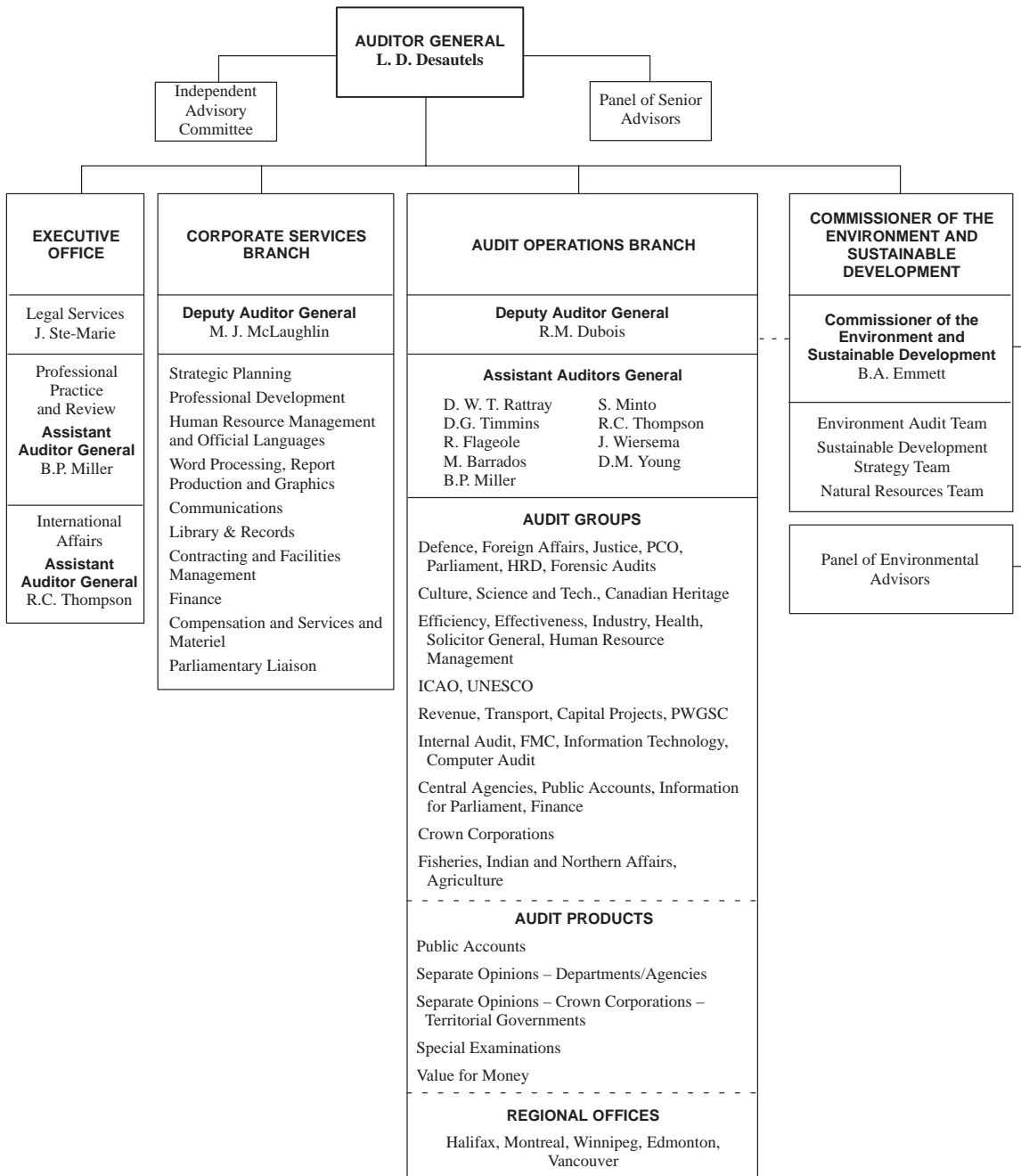
9. The Audit Operations Branch is responsible for carrying out all the audit activities of the Office.

10. The Commissioner of the Environment and Sustainable Development is responsible for monitoring and reporting on the progress of federal government departments toward promoting sustainable development in their operations. The Commissioner also assists the Auditor General in performing the duties of the Auditor General that relate to the environment and sustainable development.

11. The Office staff is multidisciplinary, with qualified accountants making up about 63 percent; another 23 percent have postgraduate degrees in other disciplines, including engineers, lawyers, statisticians, sociologists, historians, environmental specialists and economists; and 8 percent have both.

Section II — Overview of the Office

Organization of the OAG
(As of 1 September 1998)



Reporting Our Work

12. The work of the Auditor General and the Commissioner of the Environment and Sustainable Development is reported in several places and in several forms, pursuant to enabling legislation. The main outputs are the opinions on the financial statements of the Government of Canada and other entities, and chapters or audit notes in the Auditor General's periodic reports to Parliament, as well as special examination reports to boards of directors of Crown corporations. But our work could also result in special publications, methodology, briefings for parliamentary committees, speeches, and management letters. Our reports, as well as other information concerning the Office, are accessible on our Internet site at <http://www.oag-bvg.gc.ca>.



Section III Office Performance

A. Performance Expectations

13. The Office has set financial, efficiency and effectiveness targets for its operations. We have measured our performance against these targets in this section.

Exhibit 1

Summary Financial Information Legislative Auditing

Planned Spending	\$ 50,688,000
Total Authorities	\$ 51,682,308
1997–98 Actuals	\$ 51,448,236

The summary financial information presented in Exhibit 1 includes three figures. The three figures are intended to show:

- what the plan was at the beginning of the year (Planned Spending);
- what additional spending Parliament has approved to reflect changing priorities and unforeseen events (Total Authorities); and
- what was actually spent (1997–98 Actuals).

Chart of Key Results Commitments

14. Exhibit 2 provides the chart of Key Results Commitments that was published in the 1998 *Accounting for Results* report of the President of the Treasury Board, Annex B(2) - Results Commitments for Officers of Parliament. It provides an overview of the key results that the Office would like to achieve.

Exhibit 2 - Chart of Key Results Commitments (As published in the 1998 *Accounting for Results* report)

To provide Parliament and Canadians with:	To be demonstrated by:	Achievement reported in:
independent audits and examinations that provide objective information, advice and assurance, and that promote accountability, best practices in government operations, and sustainable development	evidence that we follow professional standards, and that Parliament accepts and endorses our audit conclusions on matters found to be satisfactory or unsatisfactory observations and recommendations that are implemented and result in demonstrable improvements in public sector management and service delivery	pages 11 to 27

15. We have expanded the above chart to provide more detail by which to measure our performance. Exhibit 3 summarizes the key results that the Office achieved in 1997–98 and indicates the components of our business line that helped to achieve them. The page references in the expanded chart indicate where in this document the key achievements in 1997–98 are reported.



Exhibit 3 Expanded Chart of Key Results Commitments

To provide Parliament and Canadians with:	To be demonstrated by:					Indicators:
Independent audits and examinations that make a difference for Parliament and Canadians by promoting:	Opinion and Observations on the Financial Statements of the Government of Canada	Opinions on the financial statements of Crown corporations and other entities	Value-for-money audits of departments and agencies	Reports to boards of directors on special examinations of Crown corporations	Environment and sustainable development monitoring activities	
A fair and frank accounting of the government's stewardship of financial and other resources	Page 12		Page 18	Page 26		Reliability and usefulness of information provided to Parliament and management for monitoring and decision-making purposes.
Efficiency and productivity in the public service			Page 19	Page 25		Refers to opportunities to reduce costs or achieve more with resources provided.
Cost effectiveness in government activities			Page 19	Page 25		As above.
Collection of revenues owed to the Crown			Page 22			Increased effectiveness of revenue administration and maintenance of the tax base.
Objective assurance on matters found to be satisfactory and unsatisfactory	Page 12	Page 14				Demonstrated compliance with appropriate standards.
	Page 12	Page 14		Page 25		Extent to which parliamentarians and other users of financial statements found our audit opinions useful.
						Extent to which ministers and Crown corporation boards of directors found our special examination reports useful.
Compliance with authorities		Page 15	Page 22			Extent to which parliamentarians, Crown corporation boards of directors and other users of our audit products were assured that operations were conducted in compliance with the relevant legislative framework, and the required rules and regulations.
Honesty in Government			Page 23			Contributions to reducing the risk of wrongdoing, conflict of interest and fraud, and to maintenance of sound ethics and values.
Environment and sustainable development					Page 26	Amount of audit work carried out on the government's efforts in environmental issues and sustainable development strategies.

B. Performance Accomplishments, by OAG Business Line Components

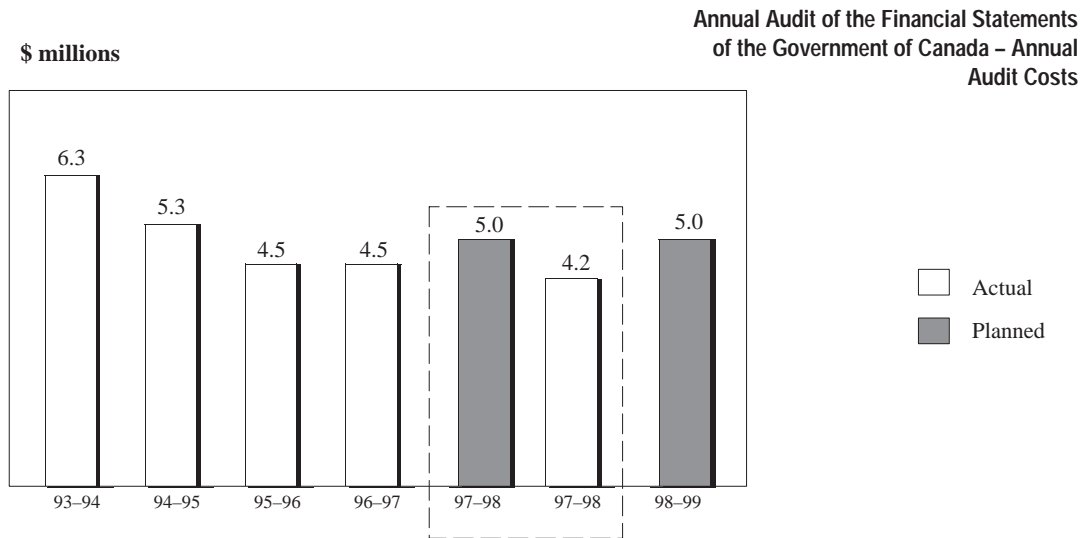
Performance

16. Because of the nature of legislative auditing, our work influences change that others are responsible for implementing. Our effectiveness depends on our ability to conduct high-quality audits that address significant topics and contribute to “making a difference”. For instance, our findings may result in debate about issues that affect the government’s transparency and accountability. Management may implement more effective management practices. Parliament may increase its monitoring activity or seek advice and clarification through the committee process or in debate in the House of Commons. Central agencies may adopt new policies or change existing ones to improve management in specific government-wide areas. In other audits, our findings may confirm that the government’s practices are economical, efficient and effective and that others could learn from them. In some cases, improvements in government operations are immediate; in other cases, corrective actions are carried out over a longer time frame — for instance, when legislative or policy changes are required. Crucial to the implementation of our recommendations is the support of parliamentarians — in particular, the Public Accounts Committee, and departments.

The performance accomplishments in 1997–98 for the five main components of the Office’s business line are described below. At the end of this section we also discuss the unintended effects of our work.

Public Accounts Audit

17. Every year, the Auditor General expresses an opinion on the Financial Statements of the Government of Canada. For 1996–97, the Opinion of the Auditor General can be found in Section 1 of Volume 1 – *1997 Public Accounts of Canada*. Exhibit 4 shows the actual costs and planned costs for future years of our work in this area. We had planned to spend \$5 million in 1997–98 but have come below this target, at \$4.2 million. The government has delayed the implementation of the key elements of its Financial Information Strategy (FIS). Because of reduced audit work in this area, our actual audit costs are below target.



**Performance Outputs and Achievements from Public Accounts Audit,
for the Period Ended 31 March 1998**

Objectives and Effects	Key Outputs in 1997-98	Key Achievements in 1997-98
Objective Assurance		
<p>Demonstrated compliance with appropriate standards.</p> <p>Extent to which parliamentarians and other users of financial statements found our audit opinions useful.</p> <p>Reliability and usefulness of information provided to Parliament and management for monitoring and decision-making purposes.</p>	<ul style="list-style-type: none"> • Qualified audit opinion and related observations on the government's overall financial statements included in the Public Accounts of Canada for the fiscal year 1996-97. • Qualified audit opinion on the condensed financial statements in the government's Annual Financial Report. • Testimony at a Public Accounts Committee hearing about the qualification in the audit opinion on the government's financial statements (accounting for a transaction with the Canada Foundation for Innovation). 	<p>Reliability of financial information</p> <ul style="list-style-type: none"> • The government responded favourably in the 1998 Budget to some of the issues raised in observations by the Auditor General on the government's financial statements for 1996-97. Our recommendation on accounting for employee pensions has been accepted and work is proceeding on the following issues: accounting for environmental liabilities and contingencies; capitalization of physical assets and accrual accounting for tax revenues; Enterprise Crown corporations and Debt Servicing and Reduction Account. Disagreement has been noted on accounting for the transaction with the Canada Foundation for Innovation.

Audits of Financial Statements of Crown Corporations and Others

18. We audited the financial statements of parent Crown corporations, federal departmental corporations and other federal entities, territorial governments and organizations and other

entities and expressed an opinion on the fairness of their financial statement presentation and their compliance with relevant legislative authorities.

19. We are making progress in reducing the costs of our annual audits through new audit methodology and the specialization of audit staff. Our goal by 1998–99 is to reduce audit costs by 15 percent of 1994–95 costs. Exhibits 5, 6 and 7 show planned and actual costs of our three financial audit activities; when their actual costs for 1997–98 are combined, they show a reduction of 16 percent from 1994–95. The actual costs shown in these graphs represent audit work in the same entities over the five-year period 1993–94 to 1997–98.

Exhibit 5

(\$ millions)

Costs of Annual Audits of Federal Crown Corporations

□ Actual
■ Planned

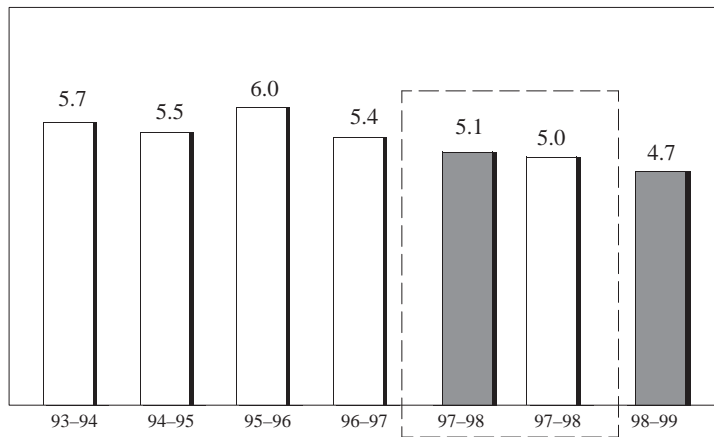
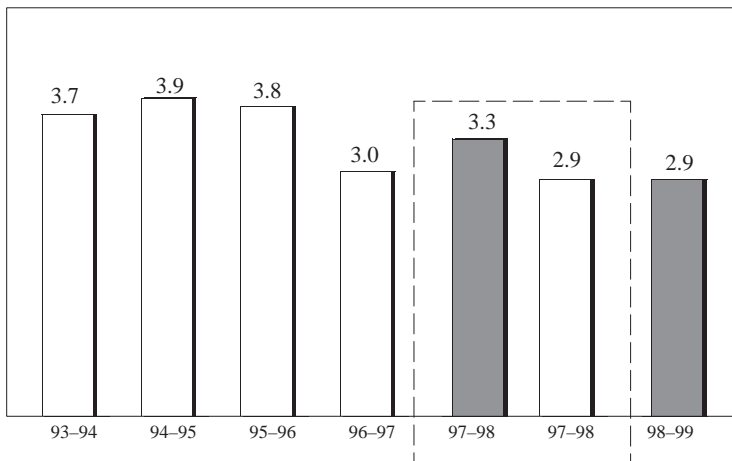


Exhibit 6

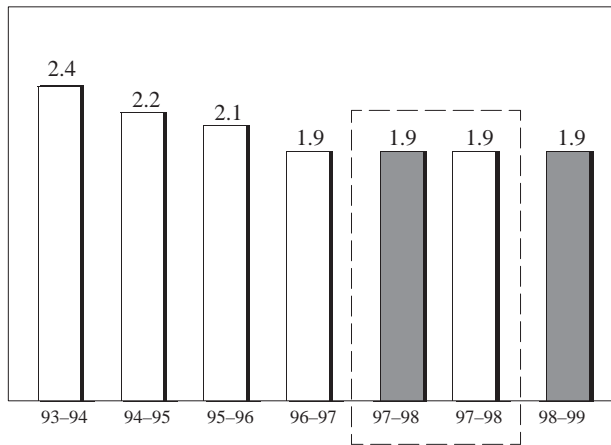
(\$ millions)

Costs of Annual Audits of Other Entities

□ Actual
■ Planned



(\$ millions)



Costs of Annual Audits of Territorial Governments, Agencies and Corporations

□ Actual
■ Planned

Performance Outputs And Achievements from Audits of Financial Statements of Crown Corporations and Others, for the Period Ended 31 March 1998

Objectives and Effects	Key Outputs in 1997-98	Key Achievements in 1997-98
Providing Assurance		
<p>Demonstrated compliance with appropriate standards.</p> <p>Extent to which parliamentarians and other users of financial statements found our audit opinions useful.</p>	<ul style="list-style-type: none"> Some 90 financial audit opinions of federal Crown corporations and agencies and territorial governments and Crown corporations. Advice provided to auditees on internal control and related systems. Two Crown corporation audit opinions qualified because of non-compliance with generally accepted accounting principles; management and boards of directors advised of the issues. Auditor General's annual award of excellence in annual reporting by a Crown corporation. 	<ul style="list-style-type: none"> Guidance provided to management on disclosure requirements for the fair presentation of financial information in some Crown corporations and agencies of the Northwest Territories; continued improvement in compliance with professional accounting standards, for example, accounting for government funding. Survey of Crown corporation chairs of audit committees and chief financial officers undertaken in 1997-98. Results of the survey indicated that most of the audit entities surveyed found the audit to be worthwhile and to have added value to the corporation. In particular, our audits were identified as having improved financial statement disclosure and to have added value to the management decision-making process.



Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
Compliance with Authorities		
Extent to which parliamentarians, Crown corporation boards of directors and other users of our audit products were assured that operations were conducted in compliance with the relevant legislative framework, and the required rules and regulations.	<ul style="list-style-type: none"> 67 audit opinions referring to compliance with authorities. 	<ul style="list-style-type: none"> No significant non-compliance issues reported in the audit opinions of federal Crown corporations and other entities.

Value-for-Money Audits

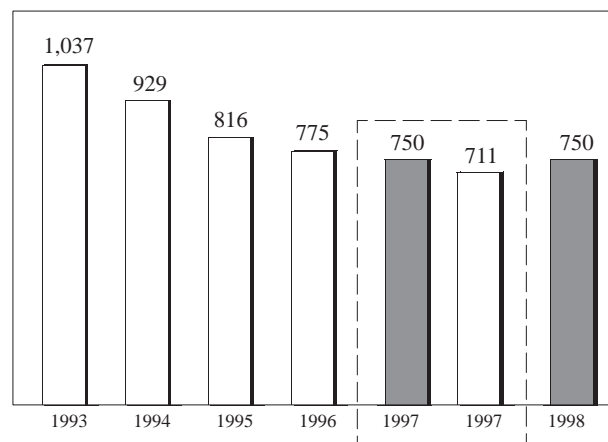
20. As Exhibit 8 shows, value-for-money (VFM) audits have changed from 1993 and earlier, when their average cost was over \$1 million each. We now carry out shorter, more focussed examinations of particular issues and we are paying closer attention to planning and managing the costs, timeliness and results of audits. We set a target of reducing the average cost of regular VFM audits to \$750,000 by 1998. This does not include government-wide audits and studies, each of which is unique in scope and coverage. We reached our target in 1997 when the actual average cost of regular VFM audits was \$711,000.

Exhibit 8

Average Cost of VFM Audits

(\$ thousands)

□ Actual
 ■ Planned



Parliamentary Activities

21. Since our primary client is Parliament, to some extent we can also measure the impact of the Office’s work by the level of parliamentary interest it generates. The hearings process provides some indication of the impact of our work. In 1997–98, the Public Accounts Committee held 29

meetings with OAG staff. Following those hearings, the Public Accounts Committee issued nine reports containing recommendations that primarily supported the main findings of our reports.

22. Other committees of the House and Senate frequently seek information and advice from us as well. The Office also appeared before other standing committees where our work was discussed, and we provided our views on specific subjects. For instance, because of the work done on the refugee claims process, we were able to assist the Citizenship Committee in its review of the process for removal of failed refugee claimants, and our work on the government's preparedness for Year 2000 assisted the Industry Committee in its review of the Year 2000 impact on businesses.



23. Our views were also sought on other topics such as Canada's energy efficiency program, ozone layer protection, the movement of hazardous wastes, federal contaminated sites, the federal government's preparedness for oil and chemical spills, First Nations health, performance measurement and reporting and The Atlantic Groundfish Strategy. During the year, about 53 percent of our reports were the subject of a hearing with

the Public Accounts Committee and/or another parliamentary committee. This is our highest rate of coverage since 1994–95, when it was 65 percent.

Parliamentary Committee Meetings	1995–96	1996–97	1997–98
Number of Public Accounts Committee meetings	37	45	39
Number of meetings in which the Office was asked to participate	23	28	29
Number of meetings with other committees of the House and the Senate in which the Office was asked to participate	10	16	12

Response to our Observations and Recommendations

24. We follow up on the progress that has been made in response to the recommendations and observations in our value-for-money audit chapters, generally two years after the audits are reported. In the Auditor General's 1996 reports to the House of Commons and the reports in the preceding four years, we made a total of 892 observations and recommendations or other suggestions for major improvements. Based on our regular follow-up work and some further monitoring, we have been able to establish the extent of progress that has been made in response to 654 of these (information was not available for 129, and 109 will not be followed up until next year).

25. The results of our reviews in 1995, 1996, 1997 and 1998 are presented in Exhibit 9, which shows the status of observations and recommendations, and Exhibit 10, which shows the primary areas affected. The last column of Exhibit 9 shows that over the five years, 112 or 17 percent of observations and recommendations have been fully implemented and satisfactory progress is being made on 245 or 37 percent. Progress has not been satisfactory in the case of 171 or 26 percent of observations and recommendations. This is lower than the rate reported in previous








years. We did some further analysis and found that observations and recommendations dealing with management systems and practices were the most problematic.

26. Included in the last column of Exhibit 9 are 150 observations and recommendations dealing with environmental and sustainable development issues. Eight percent of these have been fully implemented over the five-year period, and satisfactory progress has been made on an additional 27 percent. In 25 percent of cases, progress is not as fast as we would like; and 9 percent were bypassed by events.

Exhibit 9

Status of Observations and Recommendations

-  Entity Disagrees with Recommendations
-  Progress Not Satisfactory
-  Recommendations No Longer Relevant
-  Progress Satisfactory
-  Recommendations Fully Implemented

Percent of Observations and Recommendations

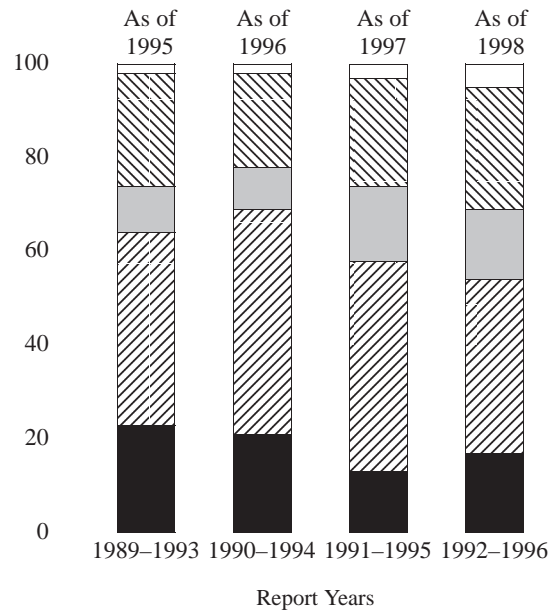







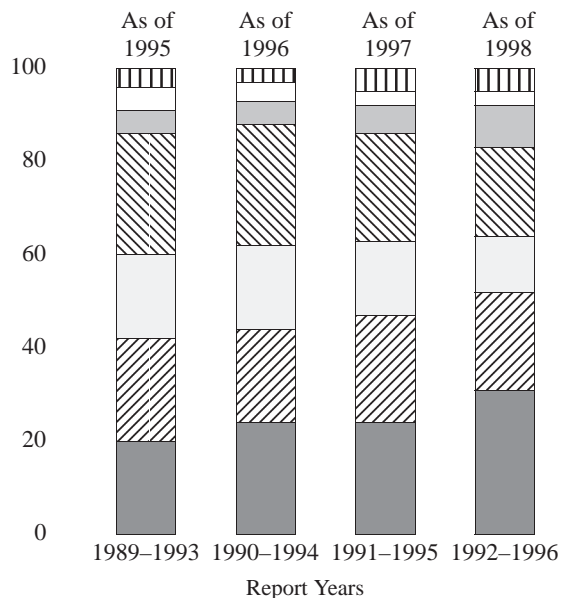


Exhibit 10

Primary Areas of Observations and Recommendations

-  Other Areas
-  Compliance with Authority
-  Revenue Administration
-  Cost Effectiveness
-  Efficiency/Productivity
-  Stewardship Information
-  Management Systems and Practices

Percent of Observations and Recommendations



**Performance Outputs And Achievements from Value-for-Money Audits,
for the Period Ended 31 March 1998**

Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
Stewardship Information		
<p>Reliability and usefulness of information provided to Parliament and management for monitoring and decision-making purposes.</p>	<ul style="list-style-type: none"> • Out of 37 audits/studies, 23 made reference to stewardship/accountability issues. • Participated in 11 committee hearings where some of these chapters were discussed. • The Office has produced a special report (<i>Parliamentary Committee Review of the Revised Estimates Documents</i>). This report was distributed to parliamentarians and all heads of departments and agencies. The distribution of the report was followed by a seminar for parliamentarians and their staff. 	<p>Focus on results measurement and reporting</p> <p>Our attempts to further accountability for results are having the desired impact. We aim to provide a framework that the government can use to improve measurement and reporting. In 1997–98, four chapters were specifically produced with this purpose in mind. These chapters promote the sharing of best practices and talk about how central agencies can add to the process. In one chapter, we document the progress made by Human Resources Development Canada in this area.</p> <p>As a result of our work, several departments have agreed to improve their measurement and reporting of program results. For instance:</p> <ul style="list-style-type: none"> • Foreign Affairs and International Trade will be developing performance measures to improve the way it manages foreign property and thereby gain better value for the costs incurred; • Natural Resources Canada will be providing better information to Parliament on the results (actual energy savings against specific targets) of Canada’s 5-year-old energy efficiency program; • Citizenship and Immigration Canada and the Immigration and Refugee Board will be providing the information necessary for Parliament to judge whether the refugee program is working. <p>Our findings in three reports on the measurement and reporting of results have been used as input into the government’s review of the programs in question, i.e. Atlantic Fisheries, the processing of refugee claims and administration of the <i>Small Business Loans Act</i>.</p> <p>Accountability</p> <p>In 1997–98 we reported on the Canadian government’s first alternative service delivery arrangement – the commercialization of the air navigation system. We also took a first look at a relatively new activity, the use of acquisition cards by government employees. Our approach to these reviews was to identify best practices and lessons learned for the future. In response to our report on the commercialization of the air navigation system, steps have already been taken by Treasury Board Secretariat to improve the procedures involved in the privatization of government entities. The Secretariat has also responded favourably to our report on acquisition cards and has taken several concrete measures to ensure more accountability for the use of these cards.</p>



Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
	<ul style="list-style-type: none"> • In our chapter on Human Resources Development Canada’s transition toward results-based management, we describe how parliamentarians could benefit from a separate report on the government’s Employment Insurance Account. As a way to improve the government’s accountability for the program, we recommended that parliamentarians be provided with information on performance and results, along with the audited financial statements, all in one single and easily accessible document. • In 1997–98 we produced a report entitled <i>Financial Management: Developing a Capability Model</i>. It represents the first phase of a study on financial management in the public service. Once complete, the study will provide an agreed-upon framework for departments to assess and improve their financial management capabilities. 	

Efficiency, Productivity and Cost Effectiveness in the Public Service

<p>Refers to opportunities to reduce costs or achieve more with resources provided.</p>	<ul style="list-style-type: none"> • Out of 37 audits/studies, 23 made reference to efficiency, productivity and cost effectiveness. Some of these are referred to below. One of our chapters was devoted to the examination of government work force issues (<i>Maintaining a Competent and Efficient Public Service</i>). • Participated in 15 hearings where some of these chapters were discussed. 	<p>Cost savings opportunities:</p> <p>Some of the cost savings opportunities that were identified in 1997–98:</p> <ul style="list-style-type: none"> • <i>Household Goods Removal Services of the Federal Government</i>: By bringing the program more in line with practices used by other governments and the private sector, potential savings of \$1.5 million (out of a \$5 million budget) could be realized. • <i>Report on the Federal Court of Canada and the Tax Court of Canada</i>: Potential savings of 15 to 25% out of about \$53 million spent annually if recommended changes to the administrative structure are implemented.
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Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
		<ul style="list-style-type: none"> • <i>Prairie Farm Rehabilitation Administration</i>: The program could present a potential for costs savings to the taxpayers if inconsistencies in the way costs are recovered were corrected. <p>Management Practices</p> <p>In 1997–98, many audits identified management practices and procedures that were not conducive to an efficient, cost-effective discharge of the department’s mandate. These audits were able to show, for instance, how :</p> <ul style="list-style-type: none"> • varying interpretations of the eligibility criteria under The Atlantic Groundfish Strategy resulted in different treatment of participants, depending on where they lived; • significant weaknesses in the management of pharmacy benefits resulted in First Nations clients having access to excessively high levels of prescription drugs; • the current process of handling refugee claims has led to substantial backlogs of legitimate claims and has impaired the department’s ability to effectively remove those who do not qualify for refugee status; • contrary to the intent of the <i>Small Business Loans Act</i>, some large corporations have been able to gain access to loans earmarked for the development of small businesses; and • the asymmetrical treatment of overpayments and underpayments to the provinces under the Equalization Program resulted in an estimated cost to the federal government of \$38 million for 1995–96, a policy decision now being discussed with the provinces. <p>Significant improvements in program management have been noted, including:</p> <ul style="list-style-type: none"> • a revised policy on tendering to ensure better selection and implementation of capital projects for First Nations; • strengthened ministerial control and accountability with respect to intelligence collection and related functions in the Department of National Defence (DND) and Foreign Affairs and International Trade Canada, including a mandated audit of all DND intelligence collection activities every two years; and • federal/provincial agreements that now set out clear requirements for compliance audits of the extended phase of the Canada Infrastructure Works Program.

Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
	<ul style="list-style-type: none"> • Two chapters devoted to information technology; one on systems under development and one on the Year 2000 conversion (<i>Systems Under Development: Taking Charge; Information Technology: Preparedness for the Year 2000</i>). • The Office has organized and participated in various workshops and seminars to share with provincial audit staff and internal audit staff the knowledge that has been acquired during the Year 2000 audit. 	<p>As a result of several audits and subsequent parliamentary committee hearings, we can expect increased collaboration between:</p> <ul style="list-style-type: none"> • Department of National Defence, Royal Canadian Mounted Police and Public Works and Government Services Canada in trying to minimize overlaps and gain efficiencies in the relocations of government employees; • Human Resources Development Canada and Fisheries and Oceans in the restructuring of the Atlantic fisheries industry; and • Citizenship and Immigration Canada and the Immigration and Refugee Board on across-the-board improvement of the refugee-handling system. <p>Information Technology</p> <p>In 1997–98 we audited three systems under development, each representing investments of \$50 million to \$100 million. In the report, we identified the root causes of the failures of large information systems, and recommended ways to better control the costs of such projects while also meeting the intended client’s needs. As a result, Treasury Board Secretariat has agreed that it needs to take on a more active monitoring role.</p> <p>The government-wide audit of preparedness for the Year 2000 gave parliamentarians a more complete picture of the extent of the problem and its urgency. The work has resulted in an accelerated effort by TBS and departments to aggressively manage the problem. The effort is now more focussed on a group of systems considered to be the most critical - those with the most potential to negatively impact the everyday lives of Canadians, as well as the country’s finances. Also, parliamentarians are now in a better position to assess whether the government’s level of effort is acceptable.</p>

Section III — Office Performance

Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
Revenue Collection		
<p>Increased effectiveness of revenue administration and maintenance of the tax base.</p>	<ul style="list-style-type: none"> • Three chapters dealt with revenue administration and tax issues (<i>Revenue Canada - The Financial Management Regime; Revenue Canada and Department of Finance - Understanding Changes in Tax Revenues: GST; Revenue Canada and Department of Finance - Fostering Improvement in Tax and Trade Administration</i>). • The Office participated in one hearing with the Public Accounts Committee to discuss two chapters on Revenue Canada. 	<p>Protecting the tax base:</p> <p>In 1997–98 we conducted a consolidated follow-up on observations from previous audits of Revenue Canada. We determined that action had been taken on several fronts and that, overall, tax administration had been strengthened. For instance, the collection of unpaid income tax, GST, excise tax and customs duty is better integrated, more proactive and based increasingly on an assessment of the risk of loss. Improvements such as these not only serve to protect the tax base but also to make the system fairer as a whole.</p> <p>In our report on the financial management regime at Revenue Canada, we identified opportunities to generate several millions in potential interest revenue for the government each year by depositing taxpayer receipts more promptly. This matter was seriously considered by both the Department and the Public Accounts Committee. As a result, changes to the practices and procedures surrounding these deposits have already been undertaken.</p> <p>In a third report in 1997–98 involving Revenue Canada (along with the Department of Finance), we concluded that work undertaken by the two departments did not adequately explain the \$400 million decrease in net GST revenue. In the report we suggested an appropriate process for analyzing changes in the GST and in other revenue streams. The process used to analyze such fluctuations is now being re-engineered.</p>
Compliance with Authorities		
<p>Extent to which parliamentarians, Crown corporation boards of directors and other users of our audit products were assured that operations were conducted in compliance with the relevant legislative framework, and the required rules and regulations.</p>	<ul style="list-style-type: none"> • Seven value-for-money chapters dealing with compliance with authority issues. • The Office participated in a hearing of the Public Accounts Committee on the management of capital projects by Indian and Northern Affairs Canada (<i>On-Reserve Capital Facilities and Maintenance; Escalating Costs of On-Reserve Water Supply Projects</i>). 	<p>In 1997–98, the following improvements have been noted:</p> <ul style="list-style-type: none"> • National Defence has developed a formal approval process for intelligence priorities to ensure that the activities of its military intelligence division are approved at the ministerial level. • Our follow-up audit of on-reserve capital and maintenance by Indian and Northern Affairs Canada resulted in more rigorous requirements for tendering federal construction contracts by that department. • Revenue Canada will ensure that its licensing of land border duty free shops will comply with regulations and policies.



Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
Maintaining Honesty in Government		
<p>Contribution to reducing the risks of wrongdoing, conflict of interest and fraud, and to maintenance of sound ethics and values.</p>	<ul style="list-style-type: none"> • In 1997–98, 32 complaints of wrongdoing were referred to our Forensic Audit Section. • Since 1992–93, 615 complaints of waste, mismanagement and wrongdoing have been screened by our Forensic Audit Section; 178 complaints related to wrongdoing were retained for further review, 104 files were closed, 35 complaints were found to be supported and 74 files were under review. • We have maintained ongoing vigilance related to fraud and administrative abuse. • In response to a special request by the government, we published an audit report on the Canada Labour Relations Board. 	<p>Ethics, values and fraud awareness:</p> <p>As a result of our audit of the Canada Labour Relations Board, there will be more accountability for the actions and the spending of Governor in Council appointees, due to the following administrative changes:</p> <ul style="list-style-type: none"> • Agencies that establish their own travel policies will be required to publish those travel policies and the resulting additional costs in their reports to Parliament. • Standards of conduct for Governor in Council appointees have been clarified. • Clearer rules have been established for travel and hospitality expenses of Governor in Council appointees. • The need for the government to establish policies for settling legal disputes within departments and agencies has been identified . • The role of the senior financial officer as protector of public assets has been strengthened.

Improvements in the management of First Nations health program prompted by our value-for-money audit

Our October 1997 report to Parliament included a chapter entitled *Health Canada - First Nations Health*. It contained our conclusions on the Medical Services Branch of Health Canada, which is responsible for the program of health services to First Nations. There are about 1,800 people employed by the Branch and the activities covered by our audit represent approximately \$1 billion in expenditures annually. The Branch's activities can impact on the health of approximately 640,000 status Indians and Inuit. Our last review of this Branch was undertaken in 1993.

The audit cost \$793,000 to complete. Among other things, it included interviews with representatives of First Nations communities and various professional bodies. We analyzed a sample of 24 transfer agreements – representing 40 First Nations communities of different regions, sizes and degrees of isolation. We carried out extensive interviews with program managers at Medical Services Branch headquarters and selected regional offices, and we visited approximately 12 “points of service”. In addition, we reviewed program documentation and related health literature. Throughout the audit we sought the advice of external advisors, a group of individuals carefully chosen for their expertise and knowledge of the subject matter.

The audit report illustrated that even though Health Canada had developed a transfer framework to allow First Nations to start managing their own health programs, not all elements of the framework had been implemented. For instance, we noted that program audits were insufficient. The objective of these audits is to inform Health Canada of the extent to which all conditions, both financial and non-financial, are being met. Also, the Department was not able to determine whether the program was having the desired effect, namely, an actual improvement in the health status of First Nations communities.

We also assessed those activities by the Branch that had not been transferred to First Nations. Through our audit we were able to document significant deficiencies in the management of non-insured health benefits, the result of which was that some clients had access to excessively high levels of prescription drugs. The Branch had been aware of this problem for almost 10 years, yet had been slow to intervene.

This report received extensive media coverage, reflecting the high degree of interest in this issue among Canadians.

Shortly after the release of the report, the Public Accounts Committee (PAC) called a hearing with witnesses from our Office and Health Canada. The findings in our chapter formed the basis of the discussion. During this hearing, Health Canada expressed its commitment to improving its practices, and agreed to submit to the Committee its intended course of action on all of our recommendations. The Standing Committee on Health also called a hearing, with OAG staff members as witnesses. The report subsequently issued by the PAC and the responses given by the Department will assist us when we conduct our follow-up review of this program. Our follow-ups normally occur two years after the original audit.

Special Examinations

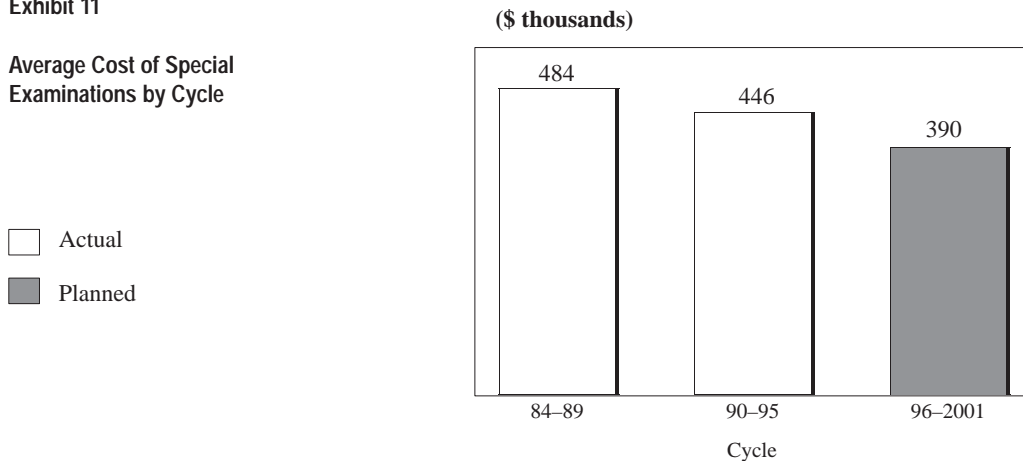
27. Crown corporations do not undergo a special examination every year but rather on a five-year cycle. The first cycle was conducted between 1984 and 1989 and the second was conducted between 1990 and 1995. The third cycle is currently under way and our planned average cost is \$390,000, as shown in Exhibit 11. Costs are decreasing because of improved methodology and

the experience obtained in previous cycles. The exhibit compares the average cost of the same special examinations by cycle.

28. The third round of examinations by the Office of 35 Crown parent corporations is under way and will be largely completed by the year 2000–01. In 1997–98 we reported on 5 corporations, namely: Cape Breton Development Corporation, Atlantic Pilotage Authority, Great Lakes Pilotage Authority, National Capital Commission and Farm Credit Corporation. The cost of completing these 5 examinations was 38 percent lower than in the previous cycle.

Exhibit 11

Average Cost of Special Examinations by Cycle



Performance Outputs and Achievements from Special Examinations, for the Period Ended 31 March 1998

Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
Efficiency, Productivity and Cost Effectiveness in the Public Service		
Refers to opportunities to reduce costs or achieve more with resources provided.	<ul style="list-style-type: none"> Five reports have been issued on special examinations of Crown corporations. Work under way on six special examinations (third cycle). 	
Providing Assurance		
Extent to which ministers and Crown corporation boards of directors found our special examination reports useful.	<ul style="list-style-type: none"> Five reports have been issued on special examinations of Crown corporations. Work under way on six special examinations (third cycle). 	<ul style="list-style-type: none"> Assurance has been provided to ministers and Crown corporation boards of directors about the adequacy of management systems and practices following our special examinations. For instance, in the second special examination cycle for one Crown corporation, we had reported a significant deficiency in the safeguarding and protection of assets. In our third-cycle report, we noted that numerous changes had been made to correct the deficiency.

Section III — Office Performance

Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
Stewardship		
Reliability and usefulness of information provided to Parliament and management for monitoring and decision-making purposes.	<ul style="list-style-type: none"> • Auditor General's annual award of excellence in annual reporting by a Crown corporation. • Value-for-money report on the management and reporting of performance by Crown corporations. 	<ul style="list-style-type: none"> • Since the award's inception in 1994, we have noted significant improvement in the quality of reports submitted by Crown corporations to Parliament (annual report and corporate plan summaries). • Improvement has been noted in the performance measures adopted by several corporations and in their reporting.

Environment and Sustainable Development

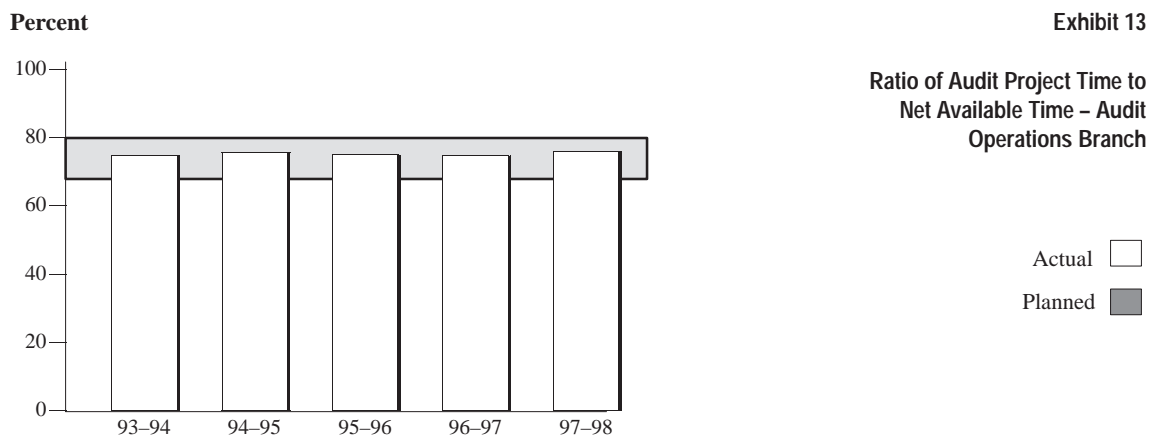
Performance Outputs and Achievements from Environment and Sustainable Development, for the Period Ended 31 March 1998

Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
Environment and Sustainable Development		
Amount of audit work carried out on the government's efforts in environmental issues and sustainable development strategies.	<ul style="list-style-type: none"> • Ten value-for-money chapters, three of which were follow-ups to previous audits, dealing with environmental and sustainable development issues. • Nine parliamentary committee hearings at which the OAG gave information and advice related to findings in our chapters. • First complete review of the sustainable development strategies (SDSs) of 28 departments and agencies along with each related action plan. 	<p>Impact on the environment</p> <p>In our audits, we have covered a broad range of topics, from the government's initiatives to protect the ozone layer to its efforts at controlling the movement of toxic wastes. Our tracking of references in the House of Commons and the Senate to the OAG's work on environmental issues shows an increase from last year. Our strategy to better inform parliamentarians about environmental issues seems to be having an impact. During this fiscal year, there has also been an increase in the number of parliamentary committee hearings dedicated to discussion of the issues presented in our audit reports. Both our Office staff and senior managers of the respective departments attended committee hearings as witnesses. Some of the issues debated in this forum included:</p> <ul style="list-style-type: none"> • the lack of adequate information on federal contaminated sites throughout Canada;

Objectives and Effects	Key Outputs in 1997–98	Key Achievements in 1997–98
	<ul style="list-style-type: none"> • A series of workshops with federal department managers was undertaken with a focus on identifying and measuring performance indicators. • A data base listing all international environment agreements was created and put on the Internet. • A publication entitled <i>Mapping the Journey: Case Studies in Developing and Implementing Sustainable Development Strategies</i> was prepared and distributed . 	<ul style="list-style-type: none"> • problems with emergency measures in case of accidents involving oil or chemicals; • the factors that led to the failure of The Atlantic Groundfish Strategy; and • enforcement of regulations dealing with the transboundary movement of hazardous waste. <p>Our chapters often prove useful to the committees because they offer a cross-jurisdictional look at a particular government program. The result is a more complete picture of the elements causing a particular government initiative to falter, along with the potential solutions. For example, the report on the movement of hazardous waste points to the respective roles of Environment Canada and the provinces, and the report on Contaminated Sites points to roles of Environment Canada and Treasury Board Secretariat. These issues were discussed during two separate committee meetings with the Environment Committee.</p> <p>Two reports have been issued by parliamentary committees making use of our findings: <i>Fisheries and Oceans Canada - Pacific Salmon: Sustainability of the Resource Base</i> and <i>Kyoto and Beyond: Meeting the Climate Change Challenge</i>. As a result, Fisheries and Oceans officials will be establishing a schedule for regular reviews of its salmon habitat policies and practices and will report to parliamentarians on the results of those reviews.</p> <p>Encouraging good practices</p> <p>In a concerted effort to provide practical assistance to the government on sustainable development, we have attempted to “package” the knowledge we have gathered and disseminate it. For example, our chapters this year included 57 references to good management practices, compared with 15 in the previous year. Also, we have put together a series of workshops for departmental managers on the subject of performance indicators, and created a data base listing all international agreements and their features. We have also distributed a booklet on selected case studies.</p>

Audit Project Hour Ratio

29. The Audit Project Hour Ratio (APHR) calculates the percentage of available staff time that is used directly for audit activities. “Available staff time” takes into consideration any leave time taken (vacation, maternity, sick, etc.); the balance is available to fulfil the time needs (hours) of the Office. Taking into account various factors such as the need for training and the effects of stress and workload on our staff, we have determined that an acceptable APHR range would be between 70 and 80 percent for our Audit Operations Branch, as shown in Exhibit 13. In 1997–98, the actual ratio was within the target range.



Unintended Effects

30. We are always looking out for any unintended effects of our work. We try to avoid proposing the creation of unnecessary or excessive controls or systems, so that management in the organizations we audit can focus on priority issues.

31. In some cases, government organizations are undergoing significant changes and resource reductions. Implementing our recommendations could require additional entity resources. Any significant issues we raise can create additional pressures on resources and further affect staff morale.

32. As well, reported cases of mismanagement may have a negative effect on the public’s confidence in the government. Despite this potential drawback, we believe that significant cases must continue to be reported.

C. Sustainable Development Performance

33. In Chapter 37 of the December 1997 Report of the Auditor General of Canada to the House of Commons, we voluntarily presented a Sustainable Development Strategy for the Office with our goals, objectives, targets and key performance indicators. We are now in a position to report on our key achievements during 1997–98 (see Exhibit 12).



Exhibit 12 – Sustainable Development Performance

Sustainable Development Goals	Sustainable Development Objectives	Key Achievements in 1997/98	Key Performance Indicators		
			Baseline 1996–97	1997–98	
<p>In Audit Work: To promote sustainable development by:</p> <ul style="list-style-type: none"> • providing advice and information to parliamentarians and members of territorial legislative assemblies to help them consider the environmental and sustainable development consequences of their legislative and oversight work; • supporting federal and territorial organizations in their efforts to integrate environmental and sustainable development considerations into their decision making for policies, programs and operations; • providing a means for Canadians to draw environmental and sustainable development concerns to the attention of the Government of Canada. <p><i>(continued)</i></p>	<ul style="list-style-type: none"> • To incorporate environment and sustainable development as an integral part of our audit work. • To monitor the extent to which federal organizations have met the objectives and implemented the action plans set out in their sustainable development strategies. • To help strengthen the capacity of federal and territorial organizations to manage environmental and sustainable development issues. • To monitor the replies by departments to petitions made by Canadians about environmental and sustainable development concerns. 	<p>Out of 20 activities scheduled for 1997–98, 6 were completed, 9 are in progress and 5 are left to do.</p> <ul style="list-style-type: none"> • We have: <ul style="list-style-type: none"> – reviewed and reported on departmental SDS; – developed tools to help organizations manage E & SD issues; – identified good practices in the management of E & SD issues; – monitored the petition process; – integrated E & SD reporting into OAG performance reporting. • We have progressed in: <ul style="list-style-type: none"> – integrating E & SD considerations into the OAG strategic planning process; – considering systematically E & SD issues in our audit work and documenting this; – integrating the CESD team within the OAG; – developing guidelines for incorporating E & SD issues into our audits; – planning a survey to determine the satisfaction level of MPs with our work. • We still need to work on: <ul style="list-style-type: none"> – identifying specific targets; – defining better how we will address horizontal and cross-jurisdictional issues; – defining how we will raise awareness of E & SD issues through our international activities. 	<ul style="list-style-type: none"> • % of parliamentarians who feel that our work has helped them – who better understand sustainable development issues and who use our chapters. • % of OAG references in the House of Commons and the Senate that were about environmental and sustainable development issues. • Number of federal organizations that improved their environmental and sustainable development reporting and performance. • % of our recommendations related to environment and sustainable development on which satisfactory progress was made. 	<p>–</p> <p>8%</p> <p>–</p> <p>12% fully implemented 55% satisfactory (1991–95)</p>	<p>not available (survey planned for 98)</p> <p>15%</p> <p>not available (Fall 98)</p> <p>11% fully implemented 37% satisfactory (1992–96)</p>





Exhibit 12 – Sustainable Development Performance *(continued)*

Sustainable Development Goals	Sustainable Development Objectives	Key Achievements in 1997/98	Key Performance Indicators		
			Baseline 1996-97	1997-98	
<p>In Administrative Activities: To optimize the use of natural resources and to minimize the negative environmental impacts of the OAG's day-to-day operations.</p>	<ul style="list-style-type: none"> To complete and implement our Environmental Management System by Spring 98 (EMS). To reduce paper and paper product consumption. To increase the "greenness" of our purchases. To reduce energy and water consumption. To maximize the capture of recyclable material / To reduce waste production. To encourage the use of environmentally responsible transportation in our audit work whenever it is time-efficient / To encourage the use of teleconferencing. 	<p>Out of 9 activities scheduled for 1997-98, 3 were completed, 5 are in progress and 1 is left to do.</p> <ul style="list-style-type: none"> The OAG's EMS framework and manual were scheduled to be completed by October 98. Paper consumption: a number of initiatives were completed January-March 98 that should help us achieve our target for 98-99 (copiers and printers adjusted to 2-sided as a default, SDS administrative group co-ordinators identified, awareness and training activities under way). <p><i>Our target for 1998-99: 5% reduction compared to 1996-97.</i></p>	<ul style="list-style-type: none"> Quantity of paper consumed per employee per year. <i>Target: 5% reduction from baseline year.</i> 	9,040/employee	9,452/employee (5% increase)
			<ul style="list-style-type: none"> % of products stocked that are Ecologo products. 	–	not available (activity planned for 98/99)
<p>In Human Resources: To support activities that recognize our employees as our greatest assets in pursuing our sustainable development goals.</p>	<ul style="list-style-type: none"> To enhance the capacity of OAG staff to recognize and integrate sustainable development issues into their audit work. To increase OAG staff awareness and practice of sustainable development efforts in the Office's day-to-day operations and in society at large. 	<p>Out of 15 activities scheduled for 1997-98, 9 were completed, 2 are in progress and 4 are left to do.</p> <ul style="list-style-type: none"> E & SD Training framework completed. A number of awareness and training activities offered (electronic green tips, green sessions, lessons learned from reviewing SDS, etc.) and the design of E & SD training sessions for auditors under way. Parking subsidy eliminated. 	<ul style="list-style-type: none"> Self-assessment of staff ability to recognize sustainable development audit issues. 	–	not available (planned for 98/99)
			<ul style="list-style-type: none"> % of staff who participated in sustainable development training sessions. 	–	not available (planned for 98/99)

Source: 1997-98 OAG Progress Report on the Implementation of the Sustainable Development Strategy

D. Key Reviews

Scrutiny of Office Operations

34. As a professional auditing body, the Office is subject to professional and ethical standards. For this reason, in addition to being subject to examination by the profession, the Office has developed its own mechanisms to ensure that audit quality is maintained. Furthermore, the Office's operations are subject to examination by the Public Accounts Committee. The following table provides more information about the reviews carried out of the Office's operations.

List of Reviews Completed During the Year Ended 31 March 1998

Study Title/ Topic	Fiscal Year of Completion	Description/ Significance of Review
Independent financial audit of the Office of the Auditor General and issuance of an auditor's report	1998	<ul style="list-style-type: none"> • Qualified auditor nominated by Treasury Board. • Conducted each fiscal year. • Auditor examines the receipts and disbursements of the Office, and annually reports the outcome of the examinations to the House of Commons through the President of the Treasury Board. • Done in accordance with section 21(1) and (2) of the <i>Auditor General Act</i>.
Provincial chartered accountants institutes/ordre practice inspection programs	Periodic – depends on province	<ul style="list-style-type: none"> • Purpose of inspection is to ensure that a practising member (in this case, the OAG) who employs one or more accounting students provides practical experience and instruction and affords opportunities that will enable the student to acquire the art, skill, science and knowledge of a chartered accountant. • Inspections done at various times depending on institute/ordre. • OAG is the only federal organization where chartered accounting students can fulfil their educational requirements and secure practical experience.
OAG Quality Review Program	Regularly	<ul style="list-style-type: none"> • Our Professional Practices and Review Group (PPRG) conducts two types of reviews to assess quality in the Office. Practice Review focussed on 16 annual financial attest audits and two value-for-money audits to provide assurance to the Auditor General on the quality of Office products and their compliance with key controls and Office and professional standards. Review and Internal Audit focussed on internal management and administration of Information Technology and Human Resources in the Office, to assist senior management by providing independent information, analysis, assessments and recommendations.

Study Title/ Topic	Fiscal Year of Completion	Description/ Significance of Review
OAG Quality Management System	1998	<ul style="list-style-type: none"> An Office Quality Management System that will apply to all Office products is under development. Steady progress has been made in identifying areas for improvement in the system's three components: audit management, people management and continuous learning. As part of this exercise, "fitness tests" have been conducted against benchmarks established for high-quality organizations.
1998-99 Estimates of the Office of the Auditor General – appearance before the Public Accounts Committee	1998	<ul style="list-style-type: none"> Appearance before the Public Accounts Committee to explain the subsequent year's spending estimates and answer questions on the management practices of the Office.

E. Year 2000 Compliance

35. All internal Office mission-critical systems have been identified, analyzed, prioritized, and replaced or repaired if required. We are, of course, dependent on many other entities, including but not restricted to Public Works and Government Services Canada (payroll, invoice payment, accommodation, etc.) hydro, the national and international phone system, etc. We are monitoring the status of the efforts of these organizations.

36. We have spent \$300,000 addressing this challenge. Between now and the year 2000, we will continue to monitor the situation, but we do not expect to incur any significant additional expenditures.

37. We are currently evaluating what form of contingency planning would be appropriate for our Office, given the nature of our work and the fact that we have already achieved compliance in our systems. We anticipate completing this evaluation, and developing contingency plans as appropriate, by the end of 1998-99.



Section IV

Financial Summary Tables

Table 1
Summary of Voted Appropriations

Authorities for 1997–98 (\$ millions)

Vote		1997–98 Planned Spending	1997–98 Total Authorities	1997–98 Actual
Auditor General				
30	Program expenditures	45.1	46.1	45.9
(S)	Salary of the Auditor General	0.2	0.2	0.2
(S)	Contributions to employee benefit plans	5.4	5.4	5.4
Total Office		50.7	51.7	51.5

Total Authorities are main estimates plus \$1.0 million of supplementary estimates.

Table 2

Comparison of Total Planned Spending with Actual Spending for 1997–98 (\$ millions)

Business Line	FTEs	Operating	Capital	Voted Grants and Contributions	Subtotal: Gross Voted Expenditures	Statutory Grants and Contributions	Total Gross Expenditures	Less: Revenue Credited to the Vote	Total Net Expenditures
Legislative Auditing	540	50.3	–	0.4	50.7	–	50.7	–	50.7
<i>(Total Authorities)</i>	<i>540</i>	<i>51.3</i>	–	<i>0.4</i>	<i>51.7</i>	–	<i>51.7</i>	–	<i>51.7</i>
(Actuals)	511	51.1	–	0.4	51.5	–	51.5	–	51.5
Other Revenues and Expenditures									
Revenue Credited to the Consolidated Revenue Fund									0.8
<i>(Total Authorities)</i>									<i>0</i>
(Actuals)									0.9
Cost of Services Provided by Other Departments									6.0
<i>(Total Authorities)</i>									<i>6.0</i>
(Actuals)									6.0
Net Cost of the Program									55.9
<i>(Total Authorities)</i>									<i>57.7</i>
(Actuals)									56.6

Notes:

Numbers in italics denote Total Authorities for 1997–98 (main and supplementary estimates and other authorities).

“Operating” includes contributions to employee benefits plans and the salary of the Auditor General.

Table 3
Historical Comparison of Total Planned Spending with Actual Spending (\$ millions)

Business Line	Actual 1995–96	Actual 1996–97	Planned Spending 1997–98	Total Authorities 1997–98	Actual 1997–98
Legislative Auditing	51.0	51.0	50.7	51.7	51.5

Note:

Total authorities are main estimates plus supplementary estimates plus other authorities.

Table 4 – Crosswalk Between Old Resource Allocation and New Allocation

Table 5 – Resource Requirements by Organization and Business Line

Table 6 – Revenues to the Vote

Tables 4 to 6 are not applicable to the Office of the Auditor General.

Table 7
Revenues to the Consolidated Revenue Fund (\$ millions)

Business Line	Actual 1995–96	Actual 1996–97	Planned Revenues 1997–98	Total Authorities 1997–98	Actual 1997–98
Legislative Auditing	0.9	1.0	0.8	0	0.9

Table 8
Statutory Payments (\$ millions)

Business Line	Actual 1995–96	Actual 1996–97	Planned Spending 1997–98	Total Authorities 1997–98	Actual 1997–98
Legislative Auditing	4.8	4.9	5.6	5.6	5.6

Table 9
Transfer Payments (\$ millions)

Business Line	Actual 1995–96	Actual 1996–97	Planned Spending 1997–98	Total Authorities 1997–98	Actual 1997–98
Contributions					
Legislative Auditing	0.4	0.4	0.4	0.4	0.4



Table 10 – Capital Spending by Business Line

Table 11 – Capital Projects by Business Line

Table 12 – Status of Major Crown Projects

Table 13 – Loans, Investments and Advances

Table 14 – Revolving Fund Financial Summaries

Table 15 – Contingent Liabilities

Tables 10 to 15 are not applicable to the Office of the Auditor General

Table 16

How the Canadian Taxpayer Dollars Were Spent

Details on Net Cost of Program for 1997–98

The outputs of the Office are the various opinions, management letters, and reports on audits and studies resulting from the audit process. The Office allocates net program costs to its outputs. In addition to direct costs, which are allocated to each output based on hours worked, certain of the Office’s costs are of an overhead nature: for example, administration, official languages and accommodation. These cannot be directly attributed to our outputs. However, they must ultimately form part of the costs of our outputs. Accordingly, the Office has developed a cost accounting system that also allocates overhead to our outputs. Thus, the cost associated with each output is a “fully loaded” cost; in aggregate these total the net program cost of the Office.

1997–98 Audit Costs and (Hours) by Audit Type

1. Federal Government Organizations

a. Departments, Agencies and Special Audits

[Both dollars and (hours) are in thousands]						
	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Atlantic Canada Opportunities Agency	11	(0.1)			11	(0.1)
Canada Space Agency	16	(0.1)			16	(0.1)
Canadian International Development Agency	68	(0.9)	5	(0.1)	73	(1.0)
Correctional Service Canada	34	(0.5)			34	(0.5)
Department of Agriculture and Agri-Food	299	(3.7)	642	(6.2)	941	(9.9)
Department of Canadian Heritage	21	(0.3)			21	(0.3)
Department of Finance	200	(2.8)	185	(1.4)	385	(4.2)
Department of Fisheries & Oceans	29	(0.5)	1,049	(9.7)	1,078	(10.2)
Department of Foreign Affairs and International Trade	54	(0.7)	54	(0.6)	108	(1.3)
Department of Human Resources Development	123	(1.5)	1,513	(14.3)	1,636	(15.8)
Department of Indian Affairs and Northern Development	93	(1.2)	529	(5.1)	622	(6.3)
Department of Industry	42	(0.7)	902	(8.3)	944	(9.0)
Department of Justice	18	(0.2)	10	(0.1)	28	(0.3)
Department of Citizenship and Immigration	18	(0.2)	678	(6.9)	696	(7.1)
Department of National Defence	177	(2.6)	2,195	(22.9)	2,372	(25.5)
Department of Health	58	(0.7)	479	(4.9)	537	(5.6)
Department of Revenue	1,382	(15.8)	3,621	(32.0)	5,003	(47.8)
Department of Natural Resources	49	(0.6)	48	(0.4)	97	(1.0)
Department of Public Works and Government Services	104	(1.5)	696	(6.4)	800	(7.9)
Department of the Environment	13	(0.2)	939	(8.5)	952	(8.7)
Department of the Solicitor General			400	(3.8)	400	(3.8)

Section IV — Financial Summary Tables

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Department of Transport	74	(0.9)	932	(9.4)	1,006	(10.3)
Department of Western Economic Diversification	9	(0.1)			9	(0.1)
Federal Office of Regional Development—Québec	23	(0.3)			23	(0.3)
Federal Court of Canada, Tax Court of Canada and Commissioner for Federal Judicial Affairs			35	(0.4)	35	(0.4)
National Energy Board	34	(0.4)	270	(2.4)	304	(2.8)
National Film Board	290	(3.0)			290	(3.0)
Northern Pipeline Agency	9	(0.1)			9	(0.1)
Public Accounts (plan, co-ordinate and report)	1,540	(15.7)			1,540	(15.7)
Royal Canadian Mounted Police	45	(0.5)	95	(0.9)	140	(1.4)
Statistics Canada			200	(2.0)	200	(2.0)
Superintendent of Financial Institutions (Office)			399	(3.3)	399	(3.3)
Treasury Board Secretariat			264	(2.4)	264	(2.4)
Veterans Affairs	39	(0.4)	167	(1.2)	206	(1.6)
Government-Wide and Special Audits						
Accountability – Internal Studies			583	(5.8)	583	(5.8)
Acquisition Cards – Use and Control			39	(0.4)	39	(0.4)
Biodiversity			220	(2.3)	220	(2.3)
Climate Change			788	(6.7)	788	(6.7)
Counting the Environment In			415	(3.3)	415	(3.3)
Crown Corporations			148	(1.0)	148	(1.0)
Environmental Assessment of Projects in the Federal Government			528	(5.4)	528	(5.4)
Expanding Horizons – A Strategic Approach to Sustainable Development Strategies			300	(2.0)	300	(2.0)
Financial Management and Control			799	(7.4)	799	(7.4)
Functional Responsibility – Authority Issues			9	(0.3)	9	(0.3)
Greening the Government of Canada			675	(6.4)	675	(6.4)
Household Goods – Removal Services			807	(7.5)	807	(7.5)
Human Resource Management – Downsizing at the Department of National Defence			2,109	(19.8)	2,109	(19.8)
Information for Parliament			393	(3.6)	393	(3.6)
Information Technology – Development			12	(7.2)	12	(7.2)
Information Technology – Electronic Commerce			124	(0.9)	124	(0.9)
Information Technology – Financial Information Systems			153	(1.4)	153	(1.4)
Information Technology – Preparedness for the Year 2000			349	(3.3)	349	(3.3)
Information Technology – Procurement			2		2	(0.0)
Major Capital Projects			662	(5.6)	662	(5.6)
Moving Toward Managing for Results			307	(3.3)	307	(3.3)
New Realities for the Public Service			19	(0.1)	19	(0.1)
Performance Measurement for Sustainable Development Strategies			259	(2.3)	259	(2.3)
Protection of Public Assets			742	(6.8)	742	(6.8)
Reporting Performance in the Expenditure Management System			36	(0.4)	36	(0.4)



Section IV — Financial Summary Tables

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Results Measurement			556	(5.7)	556	(5.7)
Regulatory Reform			24	(0.3)	24	(0.3)
Systems Under Development: Revenue Canada			8	(0.1)	8	(0.1)
Systems Under Development: Getting Results			474	(4.1)	474	(4.1)
Working Globally – Canada’s International Environmental Obligations			425	(4.0)	425	(4.0)
Follow-up Audits			1,763	(16.5)	1,763	(16.5)
Knowledge of the Business and Service to Audit Entities			2,190	(20.5)	2,190	(20.5)
Reports to the House of Commons			3,121	(26.7)	3,121	(26.7)
Total Departments, Agencies and Special Audits	\$4,872	(56.2)	\$35,346	(334.7)	\$40,218	(390.9)

b. Crown Corporations

Financial Audits

Annual audit work conducted in Crown corporations to express an opinion pursuant to section 132 of the *Financial Administration Act* and annual audit work conducted to express an opinion on corporations exempted pursuant to section 85 of the *Financial Administration Act*.

Value-for-Money Audits

Special examination work conducted in Crown corporations pursuant to section 138 of the *Financial Administration Act* and value-for-money audits conducted at the request of corporations exempted pursuant to section 85 of the *Financial Administration Act*.

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Atlantic Pilotage Authority	46	(0.6)	154	(1.5)	200	(2.1)
Atomic Energy of Canada Limited	156	(1.3)	860	(6.7)	1,016	(8.0)
Business Development Bank of Canada	190	(1.8)	230	(1.8)	420	(3.6)
Canada Council	116	(1.4)			116	(1.4)
Canada Deposit Insurance Corporation	149	(1.6)			149	(1.6)
Canada Development Investment Corporation	31	(0.2)			31	(0.2)
Canada Lands Company (Vieux-Port de Quebec) Inc.	11	(0.1)			11	(0.1)
Canada Lands Company Limited	125	(1.0)			125	(1.0)
Canada Mortgage and Housing Corporation	191	(2.0)	200	(1.6)	391	(3.6)
Canada Museums Construction Corporation Inc.	10	(0.1)			10	(0.1)
Canadian Broadcasting Corporation	488	(5.1)			488	(5.1)
Canadian Commercial Corporation	99	(1.2)	16	(0.1)	115	(1.3)
Canadian Dairy Commission	93	(1.2)			93	(1.2)
Canadian Film Board Development Corporation	109	(1.0)			109	(1.0)
Canadian Museum of Civilization	81	(1.0)	40	(0.4)	121	(1.4)
Canadian Museum of Nature	105	(1.2)			105	(1.2)
Cape Breton Development Corporation	263	(2.7)	404	(3.1)	667	(5.8)

Section IV — Financial Summary Tables

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Defence Construction (1951) Limited	39	(0.5)	204	(2.0)	243	(2.5)
Enterprise Cape Breton Corporation	86	(0.9)			86	(0.9)
Export Development Corporation	357	(3.9)	9	(0.1)	366	(4.0)
Farm Credit Corporation	354	(3.2)	96	(0.7)	450	(3.9)
Freshwater Fish Marketing Corporation	104	(1.2)			104	(1.2)
Great Lakes Pilotage Authority Ltd.	44	(0.5)	184	(1.4)	228	(1.9)
International Development Research Centre	86	(1.0)			86	(1.0)
Laurentian Pilotage Authority	63	(0.7)	4		67	(0.7)
Marine Atlantic Inc.	225	(2.3)			225	(2.3)
National Arts Centre Corporation	111	(1.4)	297	(2.7)	408	(4.1)
National Capital Commission	210	(2.4)	404	(3.5)	614	(5.9)
National Gallery of Canada	63	(0.8)			63	(0.8)
National Museum of Science & Technology	66	(0.9)			66	(0.9)
Old Port of Montreal Corporation Inc.	110	(1.2)			110	(1.2)
Pacific Pilotage Authority	34	(0.4)	34	(0.4)	68	(0.8)
Petro Canada Limited	12	(0.1)			12	(0.1)
Queens Quay West Land Corporation	37	(0.3)			37	(0.3)
Royal Canadian Mint	287	(3.6)			287	(3.6)
Standards Council of Canada	37	(0.4)			37	(0.4)
The Jacques Cartier and Champlain Bridges Incorporated	71	(0.7)			71	(0.7)
The Seaway International Bridge Corp. Ltd	24	(0.3)			24	(0.3)
The St. Lawrence Seaway Authority Ltd	156	(1.7)	1		157	(1.7)
Via Rail Canada Inc.	170	(1.9)	435	(3.7)	605	(5.6)
Treasury Board Quarterly Reports	15	(0.2)			15	(0.2)
Total Crown Corporations	\$5,024	(54.0)	\$3,572	(29.7)	\$8,596	(83.7)

c. Other Corporations and Entities

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Agriculture Products Board	2	(0.0)			2	(0.0)
Atomic Energy Control Board	35	(0.5)			35	(0.5)
Canada Pension Plan Account and Canada Pension Plan Investment Fund	376	(4.6)			376	(4.6)
Canada Labour Relations Board			788	(8.7)	788	(8.7)
Canadian Centre for Occupational Health and Safety	43	(0.4)			43	(0.4)
Canadian Food Inspection Agency	45	(0.6)	23	(0.2)	68	(0.8)
Canadian Grain Commission	13	(0.1)			13	(0.1)
Canadian Human Rights Commission			577	(5.7)	577	(5.7)
Canadian Polar Commission	11	(0.1)			11	(0.1)



Section IV — Financial Summary Tables

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Canadian Transportation Accident Investigation and Safety Board	14	(0.2)			14	(0.2)
Exchange Fund Account	77	(0.9)			77	(0.9)
Government Annuities Account	56	(0.6)			56	(0.6)
International Centre for Human Rights & Democracy	67	(0.7)	3		70	(0.7)
Market Development Incentive Payments	11	(0.1)			11	(0.1)
Medical Research Council	20	(0.2)			20	(0.2)
National Battlefields Commission	34	(0.3)			34	(0.3)
National Research Council of Canada	7	(0.1)			7	(0.1)
National Round Table on the Environment and the Economy	13	(0.2)			13	(0.2)
Natural Sciences and Engineering Research Council	37	(0.5)			37	(0.5)
Nunavut Implementation Commission	55	(0.5)			55	(0.5)
Patented Medicine Prices Review Board			177	(2.1)	177	(2.1)
Royal Canadian Mounted Police (Dependants) Fund	7	(0.1)			7	(0.1)
Social Sciences and Humanities Research Council	28	(0.4)			28	(0.4)
Employment Insurance Account	255	(2.8)			255	(2.8)
Total Other Corporations and Entities	\$1,206	(13.9)	\$1,568	(16.7)	\$2,774	(30.6)

d. Requests from the Minister of Finance

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Child Tax Benefit	34	(0.4)			34	(0.4)
Debt Servicing Reduction Account	23	(0.3)			23	(0.3)
Provincial Income Tax – Opinion to the Minister	580	(6.4)			580	(6.4)
Total Requests from Minister of Finance	\$637	(7.1)			\$637	(7.1)

Section IV — Financial Summary Tables

2. Territorial Organizations

a. Departments and Agencies

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Northwest Territories						
Workers' Compensation Board	113	(1.2)			113	(1.2)
Government of Northwest Territories	504	(4.9)	187	(2.1)	691	(7.0)
Petroleum Products Revolving Fund	95	(1.1)			95	(1.1)
Yukon Territory						
Workers' Compensation Fund	81	(0.8)			81	(0.8)
Government of Yukon Territory	280	(2.9)	36	(0.4)	316	(3.3)
Total Departments and Agencies	\$1,073	(10.9)	\$223	(2.5)	\$1,296	(13.4)

b. Territorial Corporations

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
Northwest Territories						
Aurora College	47	(0.5)			47	(0.5)
Nunavut Arctic College	148	(1.3)			148	(1.3)
Business Corporation	65	(0.8)			65	(0.8)
Development Corporation	110	(1.2)			110	(1.2)
Housing Corporation	109	(1.0)	15	(0.2)	124	(1.2)
Liquor Commission	29				29	(0.0)
Power Corporation	202	(2.0)			202	(2.0)
Yukon Territory						
Development Corporation	11	(0.1)			11	(0.1)
Energy Corporation	42	(0.2)			42	(0.2)
Housing Corporation	86	(0.8)	5	(0.1)	91	(0.9)
Liquor Corporation	54	(0.6)			54	(0.6)
Surface Rights Board	11	(0.1)			11	(0.1)
Yukon College	77	(0.8)			77	(0.8)
Total Territorial Corporations	\$991	(9.4)	\$20	(0.3)	\$1,011	(9.7)

3. Other Canadian Organizations (Order-in-Council Requests)

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
National Tripartite Stabilization Board	13	(0.1)			13	(0.1)
Total Other Canadian Organizations	\$13	(0.1)			\$13	(0.1)

4. International Organizations (Order-in-Council Requests)

[Both dollars and (hours) are in thousands]

	Financial Audits		Value-for-Money Audits		Total	
	\$		\$		\$	
International Civil Aviation Organization	220	(4.1)	83	(1.3)	303	(5.4)
United Nations Educational Scientific and Cultural Organization (UNESCO)	326	(3.8)	446	(5.2)	772	(9.0)
Total International Organizations	\$546	(7.9)	\$529	(6.5)	\$1,075	(14.4)
Subtotal	\$14,362	(159.5)	\$41,258	(390.4)	\$55,620	(549.9)
International Activities					1,024	(12.6)
Total					\$56,644	(562.5)

Section V Supplementary Information

A. Listing of Statutory Reports

<ul style="list-style-type: none"> • Report of the Auditor General of Canada to the House of Commons 	<p>published periodically and available in a variety of formats, including on the Internet at http://www.oag-bvg.gc.ca</p>
<ul style="list-style-type: none"> • Report of the Commissioner of the Environment and Sustainable Development to the House of Commons 	<p>published annually and available in a variety of formats, including on the Internet at http://www.oag-bvg.gc.ca</p>
<ul style="list-style-type: none"> • Auditor General's Opinion and Observations on the Financial Statements of the Government of Canada 	<p>published annually in the Public Accounts of Canada, Volume I and available on the Internet at http://www.pwgscc.gc.ca/text/pubacc-e.html</p>
<ul style="list-style-type: none"> • Opinion on the Condensed Financial Statements of the Government of Canada 	<p>published annually in the Annual Financial Report of the Government of Canada</p>
<ul style="list-style-type: none"> • Opinions by the Auditor General on some 90 sets of financial statements of parent Crown corporations, federal departmental corporations and other federal entities, territorial governments and organizations, other Canadian entities and international organizations 	<p>published in the various statutory reports containing the financial statements of these organizations and Treasury Board's Annual Report to Parliament on Crown Corporations and Other Corporate Interests in Canada</p>
<ul style="list-style-type: none"> • Special examinations of Crown corporations 	<p>published every five years for each Crown corporation and submitted to the respective boards of directors</p>
<ul style="list-style-type: none"> • Annual Report on Other Matters to the Yukon Legislative Assembly and to the Northwest Territories Legislative Assembly 	<p>published annually and available from the Clerk of the respective assemblies</p>

B. Contacts for Further Information

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