



Office of the Auditor General of Canada

2004–05 Estimates

Report on Plans and Priorities

Approved

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Section I — Message from the Auditor General of Canada



Sheila Fraser, Auditor General of Canada
Photo by Michael Bedford

Over the last three years, I have had the opportunity to hear from Canadians from across the country about their expectations of government. It is clear that they are looking for increased transparency, responsiveness, and accountability. They also want to know that the programs and services they support with their tax dollars are being managed prudently, ethically, effectively, and with due consideration for the environment.

As the federal government's auditor, my Office's ultimate goal is to contribute to well-managed and accountable government for Canadians. Our audits help parliamentarians assess how well the government is managing its operations. They provide assurance that spending was in compliance with parliamentary authorities, laws and policies. By identifying areas where improvements are needed, our work supports Parliament in its vital oversight role, and produces real and lasting benefits for Canadians.

Throughout our history, which dates back to 1878, we have audited the government's financial statements. In 1977, a new *Auditor General Act* gave us the mandate to go beyond the numbers and ask whether government programs were being managed economically and efficiently, and with measures in place to determine effectiveness—that is, whether the government was managing its programs with due regard to getting value for money spent. This type of auditing became known as “value-for-money” auditing.

Many other national audit offices are using a different term to describe what they do—performance auditing. We, too, have now adopted this term; it better reflects what we do and is more widely accepted internationally. This change is reflected in this Report and will be used in future publications.

In 2003, we were the first national audit office to request a peer review of our performance audit practice. The peer review team was led by the National Audit Office of the United Kingdom and included representatives of national audit offices of Norway, France, and the Netherlands. Two members of the United States General Accounting Office participated as observers. I'm pleased to say that the result was positive. The review gives us independent assurance that our practice rests on recognized professional standards and is operating effectively to produce reliable information. It also identified opportunities for improvement that we intend to act on in 2004-05.

In addition, over the next few years, we will implement our new sustainable development strategy, which we produced voluntarily. We have taken a more strategic approach; we intend to strengthen our role in ensuring that the federal government's policies and programs foster sustainable development. We acquired this role in 1995 with further amendments to our Act and the establishment of the position of Commissioner of the Environment and Sustainable Development within our Office. These amendments also imposed an obligation on government departments to publish annual sustainable development strategies.

Auditing most areas of the federal government puts us in a good position to ask whether departments and agencies are paying attention to their impact on the environment and to recommend necessary improvements. While we will continue to consider the environmental consequences of federal activities as we plan, conduct, and report on our audit work, we will be more systematic in our actions and provide our auditors with better tools to do their work.

In 2004-05, in line with the government's management reform agenda, we will step up efforts to modernize our management practices and enhance our operational effectiveness. Last year, we assessed our comptrollership capacity, and we are committed to carrying out the recommendations outlined in our action plan. A key challenge will be to build on our risk management framework so that it becomes an integral part of our decision-making process. We also want to better integrate management information so it combines financial and non-financial information and supports effective decision-making. Finally, we will be putting in place better systems for operational planning and project management, particularly for allocating resources.

The long-term success of the Office depends on an engaged and dynamic workforce. We remain dedicated to offering all employees a work environment that is diverse, inclusive, respectful, and supportive of their career aspirations. The learning vision that we set out in 2002-03 recognizes the importance of investing in our people and fostering life-long learning. It provides a solid foundation for our continued excellence. We are also committed to surveying staff on how we can make our organization better and enhance our internal communications. In 2004-05, initiatives to improve our workplace will focus around these key areas.

Our independence is vital to our credibility. Currently, the Office's funding is arrived at through negotiations with the Treasury Board Secretariat, which is also one of the organizations we audit. This funding process is not sufficiently independent. We suggest that a blue ribbon panel be appointed to review and challenge our spending plans and report to Treasury Board. The panel would be appointed by the speakers of the House of Commons and the Senate and the President of the Treasury Board. We look forward to fruitful discussions about this proposal in the future.

Our *2004-05 Report on Plans and Priorities* sets out a demanding plan for the Office; one that I am certain we can accomplish thanks to our exceptional employees. It is due to their integrity, professionalism, and dedication that we continue to make a real difference for Canadians.



Sheila Fraser, FCA
Auditor General of Canada

21 April 2004

Management representation

I submit, for tabling in Parliament, the *2004–05 Report on Plans and Priorities* for the Office of the Auditor General of Canada.

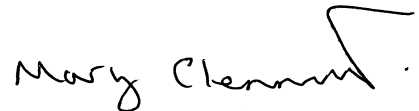
This document has been prepared based on the reporting principles and disclosure requirements contained in the Preparation Guide of the 2004–2005 Report on Plans and Priorities:

- It accurately portrays the Office's plans and priorities.
- The planned spending information in this document is consistent with the directions provided by the Treasury Board Secretariat as applicable to the Office.
- It is comprehensive and accurate.
- It is based on sound underlying Office information and management systems.

The reporting structure used for this document is the basis for accountability for the results achieved with the resources and authorities provided.



Sheila Fraser, FCA
Auditor General of Canada



Mary Clennett, CA
Comptroller

Ottawa, Canada
21 April 2004

Section II — Raison d’être

The Office of the Auditor General fosters well managed and accountable government for Canadians.

Our vision

An independent audit office serving Parliament and the well-being of Canadians, widely respected for the quality and impact of our work.

We promote

- Accountable government
- An ethical and effective public service
- Good governance
- Sustainable development
- The protection of Canada’s legacy and heritage

We do this by

- Conducting independent audits and studies that provide objective information, advice, and assurance to Parliament, government, and Canadians.
- Working collaboratively with legislative auditors, federal and territorial governments, and professional organizations.
- Providing a respectful work place in which our diverse workforce can strive for excellence and realize their full career potential, while operating effectively.

Our values

We have six values that define how we conduct our work and ourselves.

1. **Independence and objectivity.** We are an agent of Parliament, which is independent of government. Our reports are based on evidence collected in accordance with our policies and professional auditing standards. We bring a non-partisan, objective, and fair approach to our work.
2. **Serving the public interest.** We focus on significant issues to make a positive and measurable impact for the benefit of Canadians. In particular, we promote government accountability for the collection and use of public funds and for the results achieved. We also promote continuous improvement of the environment and sustainable development.
3. **Commitment to excellence.** We meet the highest standards of professionalism in our work with Parliament and those we audit. We are committed to continuously improving our processes and practices and delivering products and services of the highest quality. We share our experience with others and contribute to the advancement of the legislative audit discipline in Canada and abroad.

4. **Respectful workplace.** We are committed to providing a working environment in which all are treated with dignity and respect and encouraged to realize their full career potential. We encourage open and honest communication to create a climate of trust and teamwork. We value each other's talent and diversity and support learning and quality-of-life endeavours.
5. **Trust and integrity.** We sustain public confidence by conducting ourselves, in everything we do, with honesty, integrity, and in a manner that meets the highest standards of professional conduct.
6. **Leading by example.** We strive to be a model organization for the federal government. We treat people fairly. Our audit plans are strategic and risk-based, our reports are focussed on results, and our effectiveness is measured and reported annually to Parliament. Our policies and practices are aligned with our vision and values, and our processes are economical, efficient, and responsive.

In 2003–04 the Office revised its Code of Values, Ethics, and Professional Conduct. It details the way the Office puts the six values into practice. It also includes guidance for conflict of interest, post employment measures, and resolving disputes. Our Code is consistent with and respects the spirit of Treasury Board's *Values and Ethics Code for the Public Service*.

Section III — Planning Overview

Who we are

The *Auditor General Act*, the *Financial Administration Act*, and other acts and orders-in-council set out the duties of the Auditor General. These duties relate to legislative auditing and monitoring of federal departments and agencies, Crown corporations, territorial governments, and other entities that include international organizations. Amendments to the *Auditor General Act* in 1995 expanded our mandate to include environmental and sustainable development issues, and established within our Office the position of Commissioner of the Environment and Sustainable Development.

The Office is different from departments and agencies—it is independent from the government and reports directly to Parliament. Our independence is assured by a broad legislative mandate, freedom from certain government controls over our spending and staffing, and a 10-year mandate for the Auditor General.

What we do: Legislative auditing

We conduct independent audits and studies that provide objective information, advice, and assurance to Parliament, government, and Canadians. Through this, the Auditor General provides answers to many important questions (Exhibit 1).

Our role: To aid accountability

Supporting and promoting accountability is an important part of our work with Parliament. The Auditor General aids accountability by conducting independent audits of federal government operations. These audit reports are tabled in the House of Commons and provide members of Parliament with objective information to help them examine the government's activities and hold it to account.

The Auditor General is accountable to Parliament, not to the government of the day (Exhibit 2). The Auditor General's primary relationship is with the House of Commons' Standing Committee on Public Accounts. In turn, much of the work of the Public Accounts Committee draws on the work of the Office. The Auditor General also works with other standing committees. The Auditor General, like government departments, submits annual spending estimates and a performance report to the Treasury Board for tabling in the House of Commons. The Public Accounts Committee calls on the Auditor General to explain the spending and performance of the Office.

Who we serve

Our primary responsibility is to Parliament, and our relationship with parliamentarians is key to our effectiveness. We assist Parliament in its work related to the authorization and oversight of government spending and operations.

The Standing Committee on Public Accounts, the Standing Committee on Environment and Sustainable Development, the Standing Senate Committee on National Finance, and other parliamentary committees play a crucial role in helping promote accountability, good management practices, and sustainable development. Committee hearings are an important means to promote awareness and understanding of

the issues covered in our reports. Hearings also help gain departmental and agency commitment to implement our recommendations.

After the hearings, the committees may report and make recommendations to the government. The audited departments and agencies are generally expected to report back on what they have done in response to the recommendations.

Finally, we assist the boards of directors of Crown corporations in fulfilling their governance responsibilities through our annual financial statement audits and special examinations. Also, as the legislative auditors of the three territories, we work with government officials and managers of territorial corporations to identify issues of mutual concern, improve systems and processes, and promote improved public accountability.

Exhibit 1 — The Auditor General answers many important questions

Product lines of legislative auditing ¹	Questions
Performance audits and studies of departments and agencies, including audits on the environment and sustainable development ²	Are programs well managed? Were they run economically and efficiently, and with due regard to their environmental effects? Does the government have the means to measure their effectiveness?
Audit of the summary financial statements of the Government of Canada ³	Is the government presenting fairly its overall financial situation?
Financial audits of Crown corporations ⁴ , territorial governments ⁵ , and other organizations	Is their financial information presented fairly, and are they complying with their legislative authorities?
Special examinations of Crown corporations ⁶	Do their systems and practices provide reasonable assurance that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively?
Sustainable development monitoring activities and environmental petitions ⁷	Are departments meeting the objectives and implementing the plans set out in their sustainable development strategies? Are ministers responding as required to environmental petitions?
Assessments of the performance reports of three agencies ⁸	Are the agencies presenting their performance information fairly and in a reliable way?

1 These product lines are explained in more detail in the *Auditor General Act* (sections 5, 6, 7, and 23) and the *Financial Administration Act* (Part X).

2 These audits are published up to four times a year in the reports of the Auditor General of Canada and the Commissioner of the Environment and Sustainable Development.

3 The report and observations of the Auditor General on the summary financial statements of the Government of Canada are published annually in the Public Accounts of Canada, Volume I.

4 These audits are published annually in the statutory reports of these organizations.

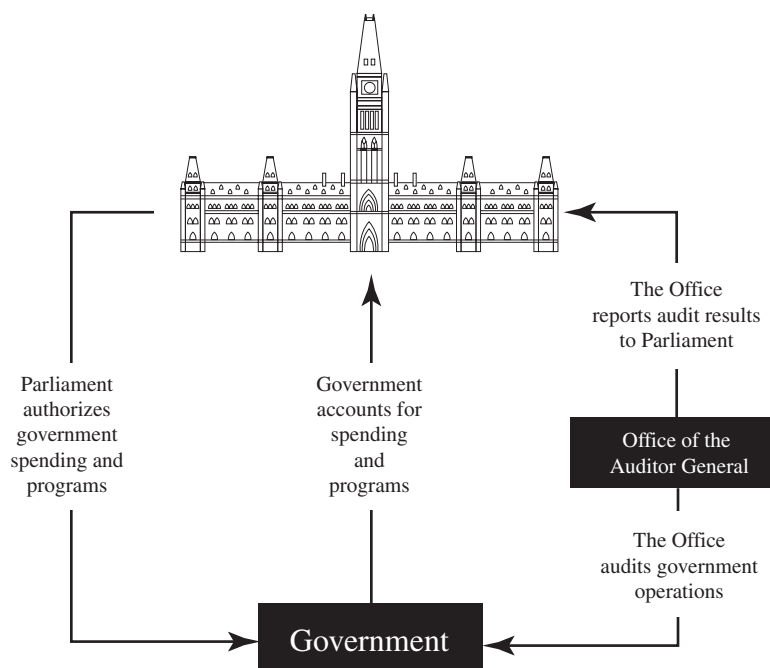
5 These audits are published annually in the public accounts of the territorial governments of the Yukon and Northwest Territories, and Nunavut.

6 Special examinations are a form of performance audit and are required for most Crown corporations, at least once every five years. Their reports are addressed to the board of directors of the corporations. The 2004 federal Budget proposes that special examination audits, conducted by the Auditor General, be tabled in Parliament and posted on the Web site of each Crown corporation.

7 Environmental petitions are available on the Office of the Auditor General's Web site.

8 These assessments are submitted annually to the Canadian Food Inspection Agency, Parks Canada, and the Canada Revenue Agency and published by the agencies.

Exhibit 2 — The Auditor General's role in the accountability process



Auditor's role and independence

Recent financial scandals in private sector companies have raised a number of questions about the auditor's role and independence. As the auditor of the federal government, there are mechanisms in place to ensure the independence of the Office:

- The Auditor General is appointed for a 10-year term that is not renewable.
- The Auditor General's conclusions are presented directly to Parliament.
- The Auditor General is accountable to Parliament, not to the government of the day.
- The Auditor General can ask federal and territorial organizations for any information needed to carry out the Office's mandate.
- Funded by Parliament, the Office does not receive fees for its services from the departments, agencies, and Crown corporations that it audits.
- As a separate employer, the Office appoints its employees, has its own classification standards, and performs human resource management functions including determining the terms and conditions of employment.
- Auditors ensure their independence by following the Canadian Institute of Chartered Accountants standards and the Office's audit standards and practices and Code of Values, Ethics, and Professional Conduct.

Funding mechanism

The Office is funded by Parliament; however, we negotiate the level of funding with the Treasury Board Secretariat. The existing process is not sufficiently independent to ensure that our budget is appropriate for meeting Parliament's expectations. This has not yet caused a problem, and we are satisfied that the Office will be adequately resourced in the coming year.

The level of funding should be determined in an objective manner. We are discussing alternative mechanisms with the Treasury Board Secretariat for determining the Office's future funding requirements. We believe this process should be corrected, so there is no possibility of influence, real or perceived.

Section IV — Plans and Priorities

Strategic outcome

The Office's strategic outcome is that we contribute to a well-managed and accountable government for Canadians. It focusses on our single business line—legislative auditing. Legislative auditing is supported by six product lines, of which the four largest are performance audits and studies; financial audits of Crown corporations, territorial governments, and other organizations; audit of the summary financial statements of the Government of Canada; and special examinations of Crown corporations.

Strategic outcome	Product lines	Forecast Spending 2003–04 (\$ millions)	Planned Spending 2004–05 (\$ millions)	Priority
We contribute to a well-managed and accountable government for Canadians	Performance audits and studies of departments and agencies	42.6	42.0	ongoing
	Financial audits of Crown corporations, territorial governments, and other organizations	19.1	18.9	ongoing
	Audit of the summary financial statements of the Government of Canada	5.1	4.1	ongoing
	Special examinations of Crown corporations	4.2	5.9	ongoing
	Sustainable development monitoring activities and environmental petitions	3.1	3.1	ongoing
	Assessments of the performance reports of three agencies	1.1	0.7	ongoing
Total costs of product lines		75.2	74.7	
Professional practices		5.8	5.7	
Total cost of program		81.0	80.4	
Less: Non-respendable revenue		(1.0)	(0.8)	
Net cost of program		80.0	79.6	

Our strategic plan describes what we do and how we do it.

1. We conduct independent audits and studies that provide objective information, advice, and assurance to Parliament, government, and Canadians.
2. We work collaboratively with legislative auditors, federal and territorial governments, and professional organizations.
3. We provide a respectful work place in which our diverse workforce can strive for excellence and realize their full career potential, while operating effectively.

1. We conduct independent audits and studies that provide objective information, advice, and assurance to Parliament, government, and Canadians.

The Office uses a results chain (Exhibit 3) to describe its long-term result (we contribute to a well-managed and accountable government for Canadians) and to show how it expects to make a difference for Canadians. The results chain links what we deliver (audits, studies, opinions, information, and advice) to our long-term result. The chain also describes the various stakeholders and their contributions to improving government operations. We review the results chain regularly to improve its usefulness and clarity and to minimize any unintended impacts of our work.

We have made improvements to our performance measurement and reporting systems in recent years. In the next two years, the Office will strengthen its results chain by identifying its medium-term results for its four largest product lines. By March 2005 we will develop indicators, and by March 2006 we will establish a baseline and, where appropriate, set targets.

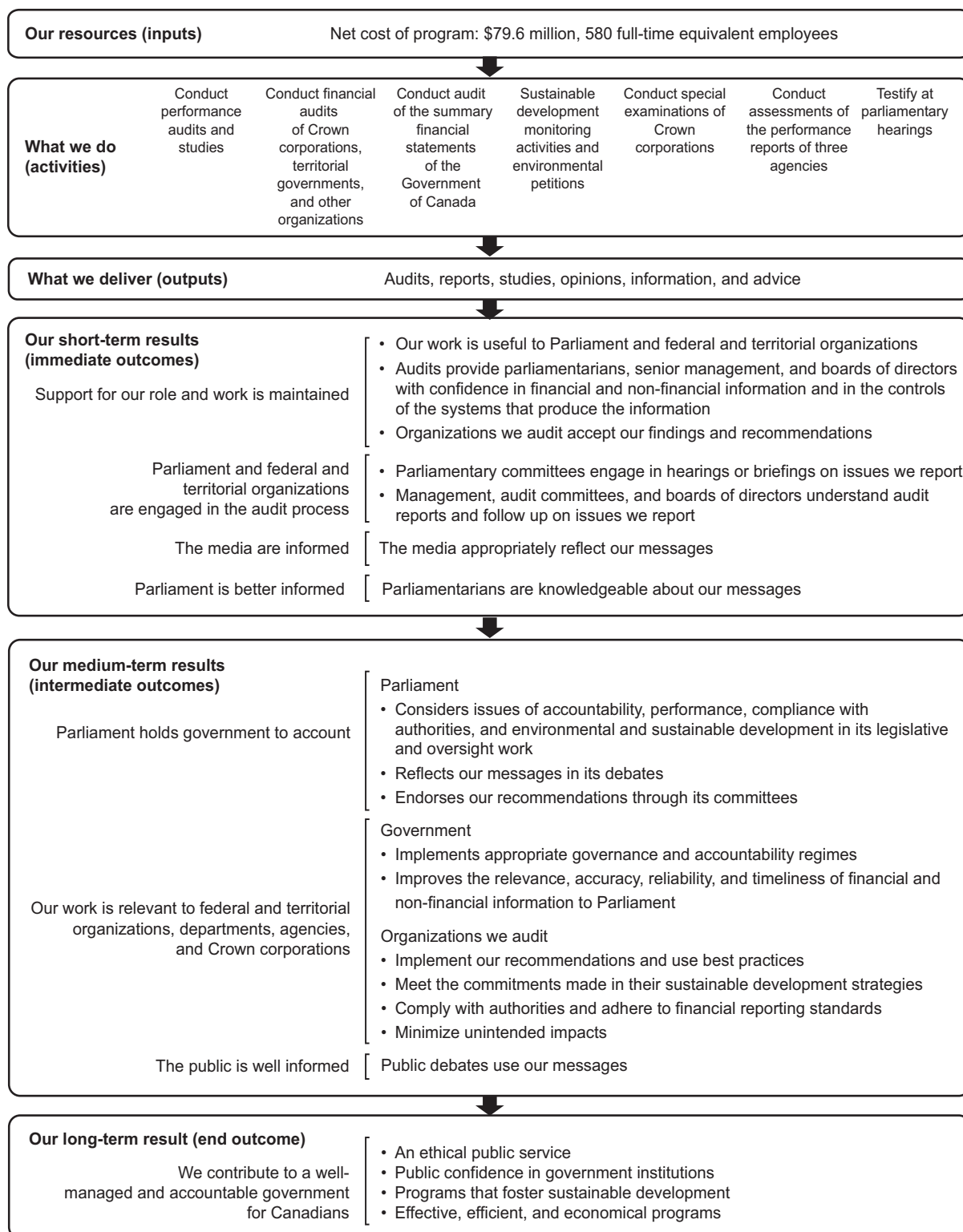
In 2002, the Auditor General identified five areas that she wishes to focus on during her term. The areas are accountability to Parliament; an effective public service; the well-being of Canadians including their health, safety, security, and environment; Aboriginal issues; and legacy and heritage. These areas also form an integral part of our strategic plan. They assist us in planning and reporting on the results of our audit work.

Financial audit. The Office has statutory responsibilities for the audits of the financial statements of Crown corporations; other federal corporations, agencies, and organizations; and territorial governments. Our financial audit practice, including our audit of the summary financial statements of the Government of Canada, contributes to our role of serving Parliament. We do this by providing assurance that the financial statements are presented fairly in accordance with Canadian generally accepted accounting principles.

We also provide assurance that these organizations comply with the key legislative authorities that govern their activities. In addition, as a result of issues that come to our attention during our financial audit work, we provide management and boards of directors with information and recommendations for improvement in areas such as financial reporting and internal controls. We report our observations on the summary financial statements of the Government of Canada, as well as in audit reports on the use of financial information to Parliament. The work we do in this area contributes to Parliament's role in holding the government to account.

Special examinations. Crown corporations require a special examination of their organization once every five years. The Office performs about 40 examinations over five years. In 2004-05, we will examine the following 15 Crown corporations: Canada Deposit Insurance Corporation, Canada Mortgage and Housing Corporation, Business Development Bank of Canada, Marine Atlantic Inc., Canada Science and Technology Museum, Canada Commercial Corporation, Export Development Canada, Standards Council of Canada, Enterprise Cape Breton Corporation, National Gallery of Canada, Freshwater Fish Marketing Corporation, Old Port of Montreal Inc., Canadian Dairy Commission, Royal Canadian Mint, and Queens Quay West Land Corporation.

Exhibit 3 — Results Chain



Performance audit. In our November 2004 Report, we will report on such issues as internal audit in departments and the adequacy of information to Parliament. Our performance audits will also cover a range of issues concerning the well-being of Canadians, including federal programming for children and non-insured health benefits. We will also examine issues like the national initiatives to combat money laundering and CF-18 modernization. Two audits will look at aboriginal issues—information management in aboriginal communities and First Nations’ education.

The Commissioner’s Report, scheduled for September 2004, will cover international aspects of sustainable development. We plan to report on official development assistance; international environmental agreements; environmental assessment of federal policies, program, and plans; as well as salmon stocks, habitat, and aquaculture. We will also report on the extent to which departments have met the objectives set out in their sustainable development strategies and action plans. The environmental petitions process continues to grow in its use by Canadians and in the depth of environmental issues being raised. The Commissioner will look at commitments made by ministers to petitioners and see if these commitments have been acted on.

Starting this year, the Commissioner will set out an approach to track and report to Parliament on the government’s efforts to develop and implement a federal plan of action and meet the hundreds of commitments it made in both the Rio de Janeiro Earth Summit and the Johannesburg World Summit on Sustainable Development.

The Status Report of the Auditor General, scheduled for February 2005, will continue to report on actions the government has taken in response to our audit findings and recommendations. We will examine such topics as information technology, accountability of foundations, and Crown corporations. Other follow-up work will include Transport Canada, the Canadian Revenue Agency, the Canadian International Development Agency, and the Canadian Nuclear Safety Commission.

Key expected results, indicators, and targets

Expected results		Indicators	2003–04 results	2004–05 target
Our short-term results (immediate outcomes)				
Support for our role and work is maintained	Parliament and federal organizations see our work as useful	Percentage of parliamentarians surveyed in 2002 that consider our recommendations and findings to have a positive impact on their specific committee work	55%	Next survey in 2005
Parliament and federal organizations are engaged in the audit process	Parliamentary committees engage in hearings or briefings on issues we report	Percentage of performance audits reviewed by parliamentary committees	41%	60%
Our medium-term results (intermediate outcomes)				
Parliament holds government to account	Parliament considers issues of accountability, performance, compliance with authorities, and environment and sustainable development in its legislative and oversight work	Examples showing how our work contributes to the legislation and oversight work of Parliament	See 2003 <i>Performance Report</i> (pages 26–27)	Qualitative information is reported annually

Expected results		Indicators	2003–04 results	2004–05 target
	Parliament endorses our recommendations through its committees	The Standing Committee on Public Accounts explicitly endorsed our performance audit recommendations in its reports	49% ¹	75%
Our work is relevant to federal departments, agencies, and Crown corporations	Organizations we audit implement our recommendations and use best practices	Where we conducted performance audits, percentage of recommendations fully implemented ²	45%	Establish a baseline to set a target
	Organizations we audit meet the commitments made in their sustainable development strategies	Departments and agencies reported meeting commitments made in their sustainable development strategies	42% ³	We will begin reporting on their progress in 2005

¹ This result comes from our *2003 Performance Report* (page 25). As the Committee had not yet issued all of its reports for hearings held in 2002–03, results were partial.

² We measure our impact in improving the government's accountability, operations, and services by determining the percentage of recommendations we made four years ago that have been implemented.

³ The quality of reporting for this indicator leads us to question the reliability of that figure.

2. We work collaboratively with legislative auditors, federal and territorial governments, and professional organizations.

Key partners and relationships

Federal and territorial governments. We work collaboratively with federal government departments, agencies, and Crown corporations on a wide range of issues and initiatives to improve accountability and public sector management.

In the Yukon, the Northwest Territories, and Nunavut we work with government officials and territorial corporations managers on issues of mutual concern, improvements to systems and processes, and improvements to public accountability.

Professional organizations. International accounting and auditing standards are influencing Canada's public and private sector standards. The Office is playing an active role in shaping these standards, particularly as they relate to the public sector.

Key international organizations that are establishing these standards include the International Federation of Accountants (IFAC) and the International Organization of Supreme Audit Institutions (INTOSAI). The Office plays an active role in INTOSAI and with IFAC through its member organizations like the Canadian Institute of Chartered Accountants (CICA) and the Certified General Accountants of Canada.

We also work with international organizations and other legislative auditors to promote audit guidance, share best practices and new initiatives, and, in certain circumstances, assist other governments and organizations.

For example, as the Chair and Secretariat of the INTOSAI Working Group on Environmental Auditing (WGEA), the Office exercises its leadership in supporting the WGEA members from approximately 50 national audit offices by organizing meetings and conferences, and maintaining the WGEA Web site. Over the next three years, the Group aims to expand the environmental auditing tools available to supreme audit institutions, to expand training and information exchange, and to encourage collaborative audit work on environmental issues.

The Office is also a member of the Canadian Council of Legislative Auditors, which comprises the ten provincial legislative auditors and the federal Auditor General. We currently participate on a number of its committees and working groups, which include the strategic issues group, the performance reporting and auditing group, and the health indicators study group. To meet our national obligations, we

- share information and experience on matters of mutual concern,
- develop audit methodology and professional practices,
- improve the quality and performance of legislative auditing in Canada, and
- collaborate with provincial legislative offices on issues that are cross-jurisdictional.

In addition, the Auditor General is the 2004-05 Chair of the Public Sector Accounting Board of CICA, which sets accounting standards for Canadian governments. Other employees participate on various CICA committees, such as the Auditing and Assurance Standards Board and the Assurance Services Development Board.

Our employees also participate in many professional organizations that contribute to the improvement of legislative auditing, such as the Canadian Evaluation Society, CCAF-FCVI Inc., the Financial Management Institute, and the Institute of Internal Auditors. We are also involved with the Panel of External Auditors of the United Nations.

3. We provide a respectful workplace in which our diverse workforce can strive for excellence and realize their full career potential, while operating effectively.

Providing a respectful workplace

Our values of respectful workplace, trust and integrity, and leading by example define how we conduct our work and ourselves. The Office strongly supports and integrates in all of its human resource activities the staffing values of competency, representativeness, non-partisanship, fairness, equity, transparency, flexibility, affordability, and efficiency.

Key objectives, actions, and targets

Objectives	Actions	Target
Improve our workplace environment	<ul style="list-style-type: none"> • Conduct a survey of employee satisfaction • Improve internal communications • Implement the accommodation policy • Improve the BRAVO recognition and rewards program 	Identify key indicators, establish baseline, and set targets.
Promote a bilingual workplace	Invest money and time in language training	100% of our assistant auditors general and principals and 75% of our directors in bilingual regions will meet our language requirements by March 2007
Assemble a workforce that is representative of the Canadian population	Apply our employment equity policy and implement our three-year employment equity plan	Improve representation of all employment equity groups, according to labour market availability
Ensure that qualified, capable employees are available to carry out our mandate	Focus the succession planning strategy on student recruitment and development of high-potential employees	Meet our future needs at management level

Operating effectively

We are working to better align our policies and practices with our vision and values. Our objective is to develop and implement improved systems for operational planning and project management and, in particular, for the allocation of resources. These more efficient business practices will result in better planned and managed audits and will enhance the effectiveness and impact of our work.

External review of our performance audit practice. In February 2003, the Auditor General of Canada asked members of the international audit community if they would be interested in participating in a review of the Office's performance audit practice. This was the first time that the legislative audit practice of a national audit office would be assessed by a team of its international peers.

The purpose of the review was to assess the extent to which the Office's performance audit practice is designed to reflect recognized standards of professional practice, and is operating effectively to produce independent, objective, and supportable information that Parliament can rely on to examine the government's performance and hold it to account.

In December 2003, the team reported that the Office's performance audit practice was suitably designed and operating effectively to achieve its objectives.

The report highlighted the following opportunities to enhance the quality of the Office's performance audit policies and practice:

- looking at the scope of some audits and giving more emphasis to potential issues, criteria, methodology, and sources of evidence at the audit design stage;
- reviewing the breadth of the audit methodologies used routinely on performance audits;

- expanding the training and guidance available to performance audit staff;
- ensuring that recommendations are specific and action-orientated;
- improving the presentation of reports with graphics and tables to present complex numerical data;
- doing more to show that performance audits make a difference; and
- looking at the cost of individual audits with more analysis of comparative costs.

The Office has developed an action plan to address these suggestions for improvement; most will be implemented in 2004–05. The external review report and our action plan were tabled at a meeting of the Standing Committee on Public Accounts in March 2004 and in the House of Commons in April 2004.

Our Office has been asked to lead a similar multinational review of the General Accounting Office of the United States. The report is expected in April 2005.

Information and knowledge management. We continue to make progress on Office initiatives that enhance knowledge management. Our intranet has become a business tool of preference that delivers methodology, research resources, supporting tools, and entity sites needed by our audit teams. We have acquired an electronic toolset, part of our advancing audit practices project, and are integrating it with the work of our financial auditors and records-tracking system.

Over the next three years, the Office will strengthen its information management systems and practices. We will build core information management processes, and develop a strategic plan to implement the government's policy on managing government information. Also, we will implement document and content management systems that support information management. This action plan will be completed by March 2007. Information management is an area that is continually evolving. We will monitor our progress and develop action plans for improvements.

Internal audit. We conduct internal audits on our management and administration. These audits provide assurance to the Auditor General that the Office is a well-managed organization. A long-term internal audit plan has been prepared and approved by the Audit Committee. The plan identifies those areas of the Office's operations where audits will be conducted in the coming year.

Sustainable development strategy. Since 1997, the Office has voluntarily produced a sustainable development strategy. As we have in our previous strategies, our 2003-06 strategy focusses on ensuring that the environmental consequences of the federal government's activities are considered as we plan, conduct, and report on our audit work. While this objective has not changed, we plan to be more systematic in our efforts to achieve it by providing our auditors with better tools to do their work. We will continue to promote the role and work of the Commissioner with Parliament, federal organizations, and Canadians.

We will create and maintain a database on departmental sustainable development strategy commitments, which will be available on our Web site. The database will be updated annually to reflect our assessment of the progress departments have made in implementing their sustainable development strategies, including how well the strategies meet the expectations established by the Commissioner of the Environment and Sustainable Development.

Comptrollership. As part of our ongoing commitment to the government's comptrollership initiative, we conducted a comptrollership capacity assessment in 2003–04. The results of the capacity assessment and action plan are available on our Web site.

This assessment helped us identify areas where we can improve our comptrollership and management practices. The capacity assessment confirmed that the Office

- has a culture that supports effective financial management and control;
- over time, has developed a robust quality management regime; and
- encourages continual improvement and external review of its practices and processes.

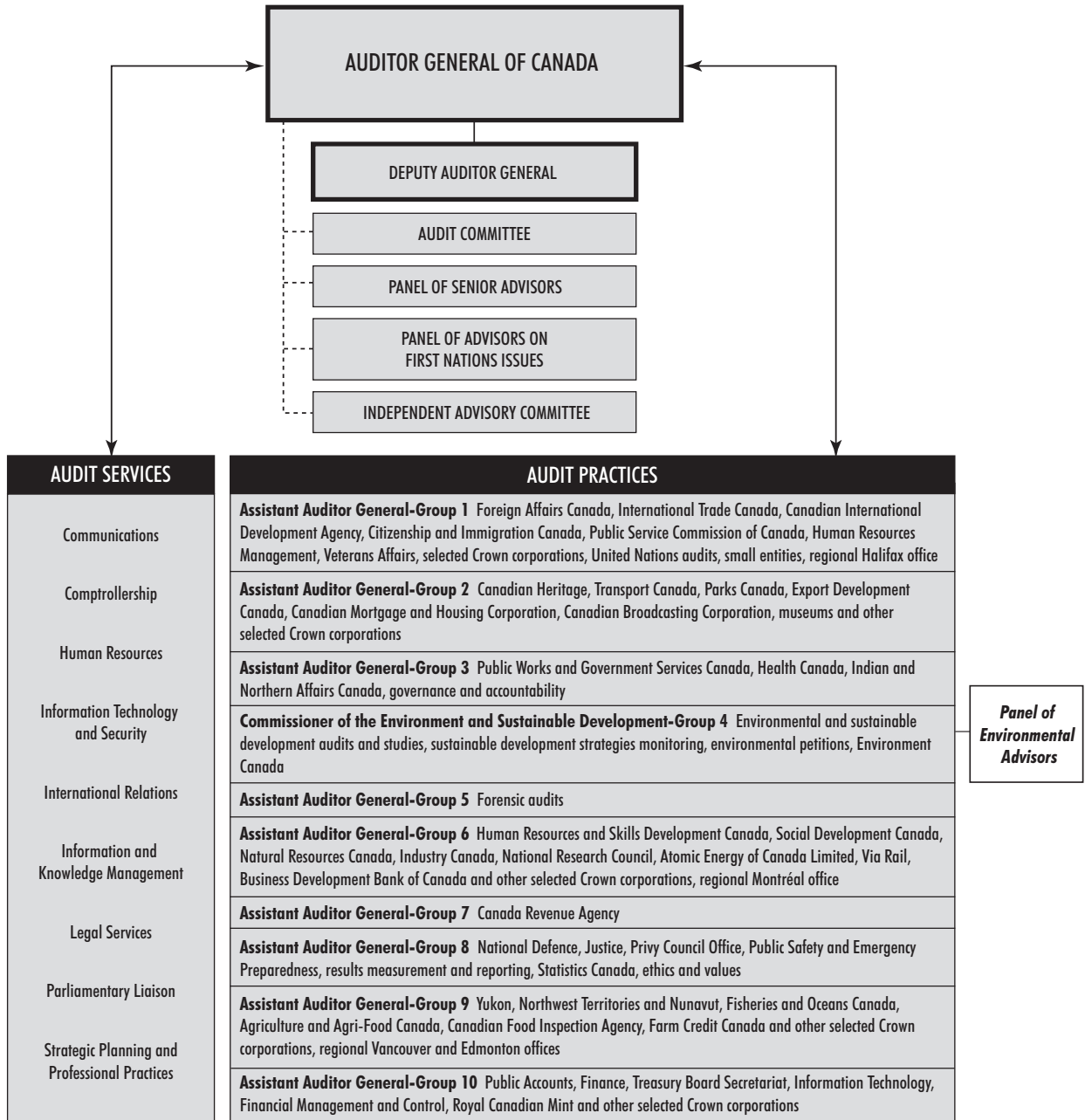
The Office has developed a three-year action plan to address opportunities for improvements identified in the assessment. In 2003 the Treasury Board Secretariat introduced the Management Accountability Framework. The Framework is intended to bring together the principal elements of modern comptrollership, human resources modernization, service improvement, and government on-line. As we adapt our management systems and practices, we will take into consideration the Framework.

Risk management. As part of our comptrollership initiative, we are integrating effective risk management into the Office planning process. Numerous elements of effective risk management are in place; however, these elements need to be managed in a systematic and comprehensive manner.

The Office is improving its integrated risk management practices by aligning existing systems and practices for identifying, assessing, and reporting risks. We are currently reviewing our corporate risk profile, formalizing a framework, approving policy, and assessing identified risks. By March 2005, we will have established risk tolerances and implemented communication, training, and reporting plans.

Section V — Organization

ORGANIZATION CHART OF THE OFFICE OF THE AUDITOR GENERAL OF CANADA



Governance

The Office has an Executive Committee that provides overall professional and administrative direction for the Office. It sets Office policy and oversees all aspects of management and operations in the Office. It comprises the Auditor General, Sheila Fraser; the Deputy Auditor General, John Wiersema; and the Commissioner of the Environment and Sustainable Development, Johanne G  linas. It also includes the assistant auditors general: Ronald Campbell, Nancy Cheng, Richard Flageole, Andrew Lennox, Hugh McRoberts, Shahid Minto, Richard Smith, Jean Ste-Marie, Ronald Thompson, and Douglas Timmins.

The Auditor General receives advice from a number of external committees.

- The Audit Committee provides an oversight role on quality and internal controls. The Committee is made up of senior Office auditors and is chaired by a retired senior executive from the private sector.
- The Panel of Senior Advisors is composed of representatives from business, the accounting profession, the academic community, and other parties. Its purpose is to provide strategic advice on the work of the Office.
- The Panel of Advisors on First Nations' Issues includes aboriginal and non-aboriginal leaders. It advises the Auditor General on matters affecting Canada's Native peoples.
- The Independent Advisory Committee, made up of senior accountants and financial consultants, advises the Auditor General on the audits of the summary financial statements of the Government of Canada, Crown corporations, territorial governments, and other organizations. The Committee also helps the Auditor General monitor developments in the accounting and auditing profession and consider their impact on the Office.

The Commissioner of the Environment and Sustainable Development also receives advice from an external committee:

- The Panel of Environmental Advisors, made up of representatives from environmental groups, industry, former public servants, and the academic community, advises the Commissioner on her work and issues in environment and sustainable development.

We also establish audit advisory committees for all performance audits presented to Parliament. Members are drawn from both inside and outside the Office and are selected on the basis of their skills, insights, relevant knowledge, and experience. These committees are designed to provide a forum where the audit team can seek advice on the objectives of the audit, the general approach, and the significant matters and issues that are to be reported.

Accountability

An external auditor appointed by the Treasury Board Secretariat audits the financial statements of the Office of the Auditor General annually. Our financial statements are prepared on a full accrual basis in accordance with generally accepted accounting principles. These financial statements are included in our performance report, which is submitted to the Treasury Board and tabled in the House of Commons. Our sustainable development strategy was tabled in Parliament in February 2004.

Moreover, the Auditor General's report chapters are reviewed and discussed in over 15 parliamentary committees. The Auditor General, like government departments, also submits annual spending estimates to Parliament. The Public Accounts Committee calls on the Auditor General to explain the

spending estimates and to discuss our reports on plans and priorities and performance as well as our management practices.

The Deputy Auditor General, the Commissioner of the Environment and Sustainable Development, and all assistant auditors general are accountable to the Auditor General and have their performance evaluated annually by her. Assistant auditors general are responsible for different departments, Crown corporations, territorial corporations, and subject matter. They assist the Auditor General in conducting independent audits and studies that provide objective information, advice, and assurance to Parliament, government, and Canadians.

Planned spending

The net cost of program for the Office in 2004-05 is \$79.6 million, with 580 full-time equivalent employees. Beyond this, planned spending decreases by \$12.2 million in 2005-06 and \$12.9 million in 2006-07. Requested permanent funding increases for these years have not been approved by Treasury Board. When a new funding process is put in place, we expect it will be used to obtain approval for these increases.

Table 1 Planned spending (\$ millions)	Forecast spending to 31 March 2004	Planned spending 2004-05	Planned spending 2005-06	Planned spending 2006-07
Legislative auditing			Excludes requested permanent funding increase	
Budgetary Main Estimates	66.5	72.8	60.8	60.1
<i>Adjustments (Planned spending not in Main Estimates)</i>				
Incremental funding to address core operational requirements	3.6			
Operating budget carry forward	3.0			
Space renewal	0.5			
Increased audit work	0.2			
Economic salary increases	1.4			
<i>Total adjustments</i>	8.7	—	—	—
Net planned spending	75.2	72.8	60.8	60.1
Plus: Cost of services received without charge	8.4	7.6	7.1	7.1
Less: Forecasted lapse	(2.6)	—	—	—
Total cost of program	81.0	80.4	67.9	67.2
Less: Non-responsible revenue	(1.0)	(0.8)	(0.5)	(0.5)
Net cost of program	80.0	79.6	67.4	66.7
Full-time equivalent employees	560	580	580	580

Section VI — Annexes

Annex 1 — Summary of transfer payments (\$ millions)				
	Forecast spending to 31 March 2004	Planned spending 2004–05	Planned spending 2005–06	Planned spending 2006–07
Other transfer payments:				
Contribution to CCAF-FCVI Inc.	0.4	0.4	0.4	0.4
Total transfer payments	0.4	0.4	0.4	0.4

Annex 2 — Source of spendable ¹ and non-spendable revenue (\$ millions)				
	Forecast revenue to 31 March 2004	Planned revenue 2004–05	Planned revenue 2005–06	Planned revenue 2006–07
Charges (cost recovery) for audits ⁽²⁾	1.0	0.8	0.5	0.5
Total non-spendable revenue	1.0	0.8	0.5	0.5

¹ No source of spendable revenue

² The Office recovers cost for the audits of the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization. These funds are not used by the Office but are returned to the Consolidated Revenue Fund as non-spendable revenue.

Annex 3 — Net cost of program for 2004–05 (\$ millions)	
	Legislative auditing
Net planned spending	72.8
Less: Non-spendable revenue ¹	(0.8)
Plus: Services received without charge ²	7.6
Net cost of program	79.6

¹ The Office recovers cost for the audits of the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization. These funds are not used by the Office but are returned to the Consolidated Revenue Fund as non-spendable revenue.

² In addition to the budgetary expenditures for 2004–05, there are other costs associated with the operation of the Office. These costs, although not paid directly by the Office, represent services received without charge from other government departments. They are

- Accommodation (Public Works and Government Services Canada) 4.2
- Employee insurance premiums (Treasury Board) 3.4
- 7.6

Web Site References

Many items that could be of interest, but not critical to reporting our performance, are available at the following Web sites.

Office of the Auditor General of Canada	
Office of the Auditor General	www.oag-bvg.gc.ca
Sheila Fraser, Auditor General of Canada	www.oag-bvg.gc.ca/domino/other.nsf/html/00agbio_e.html
Commissioner of the Environment and Sustainable Development	www.oag-bvg.gc.ca/domino/cesd_cedd.nsf/html/menu8_e.html
Reports	www.oag-bvg.gc.ca/domino/other.nsf/html/99repm_e.html
Other Publications	www.oag-bvg.gc.ca/domino/other.nsf/html/99menu5e.html
Internal Audit Reports	www.oag-bvg.gc.ca/domino/other.nsf/html/02int_e.html
<i>Financial Administration Act</i>	Laws.justice.gc.ca/en/f-11/58516.html
<i>Auditor General Act</i>	Laws.justice.gc.ca/en/A-17/index.html
Code of Values, Ethics, and Professional Conduct	www.oag-bvg.gc.ca
Peer Review Report and Action Plan	www.oag-bvg.gc.ca/domino/other.nsf/html/200402peer.html
Sustainable Development Strategy 2003-06	www.oag-bvg.gc.ca/domino/other.nsf/html/200402sdse.html
Comptrollership Capacity Assessment and Action Plan	www.oag-bvg.gc.ca/domino/other.nsf/html/200403ccap_e.html
Government of Canada	
Parliament	www.parl.gc.ca
Standing Committee on Public Accounts	www.parl.gc.ca/InfoCom/CommitteeMain.asp?Language=E&CommitteeID=8800&Joint=0
Standing Committee on Environment and Sustainable Development	www.parl.gc.ca/infocom/CommitteeMain.asp?Language=E&CommitteeID=8787&Joint=0
Standing Committee on National Finance	www.parl.gc.ca/common/Committee_SenHome.asp?Language=E&Parl=37&Ses=3&comm_id=13
Treasury Board Secretariat	www.tbs-sct.gc.ca
Results for Canadian: A Management Framework for the Government of Canada	www.tbs-sct.gc.ca/res_can/rc_e.html
Financial Information Strategy	www.tbs-sct.gc.ca/fin/sigs/FIS-SIF/FIS-SIF_e.asp
Professional organizations	
International Organization of Supreme Audit Institutions (INTOSAI)	www.intosai.org
Environmental Working Group (INTOSAI)	www.environmental-auditing.org
Canadian Council of Legislative Auditors	www.ccola.ca/index_english.cfm
Canadian Institute of Chartered Accountants	www.cica.ca/index.cfm/ci_id/17150/la_id/1.html
CCAF-FCVI Inc.	www.ccaf-fcvi.com

Professional organizations	
Financial Management Institute	www.fmi.ca
Public Accounts of Canada, Volume I (Observations of the Auditor General on the summary financial statements of the Government of Canada)	www.pwgsc.gc.ca/recgen/text/pub-acc-e.html
International Federation of Accountants	www.ifac.org
Institute of Internal Auditors	www.theiia.org
United Nations Panel of External Auditors	www.unsystem.org/auditors/external.htm
Canadian Evaluation Society	www.evaluationcanada.ca