



Comprehensive Discussion of Our Performance by Business Line

*In Support of **Accountability**—*
2001-2002 **Annual Report** to Parliament


More Ways to Serve You!
Pour vous servir encore mieux !



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

Canada 



The Canada Customs and Revenue Agency (CCRA) is proud to provide you with this document, entitled *Comprehensive Discussion of our Performance by Business Line in Support of 2001-2002 Annual Report to Parliament*. It provides a detailed description of the performance of our five business lines in line with the CCRA's overall performance story contained in our second annual report entitled, **Accountability—2001-2002 Annual Report to Parliament**. More specifically, this document is intended to complement and expand upon the performance information contained in **Accountability**.

Accountability, the ongoing title of our annual reports to Parliament, embodies two key themes: **account** and **ability**. **Account** represents the CCRA's declaration of what we have accomplished following our transition to agency status and, in the case of this year's report, in our second year as an agency. **Ability** symbolizes the capacity of the CCRA's workforce to realize the promise of agency status. In both themes, a common thread emerges: that teamwork is essential to both the successes realized to date and to achieving the strategic agendas set out in our corporate business plans. Underpinning these themes is a strong commitment to being a connected, learning organization—where we work together to reflect on our experiences, both successes and failures, and on new ideas, knowledge, and insights to continually improve our performance.

This year, **Accountability** comprises two volumes. The *CCRA Performance Report* provides an agency-wide overview of our program delivery results, and summaries of our performance in each of the CCRA's five business lines against the objectives set out in our 2001-2002 to 2003-2004 *Corporate Business Plan*. The second volume, *CCRA Financial Statements*, provides the financial exhibits for our operations and responsibilities in 2001-2002. It also includes additional financial information to meet government-wide performance reporting requirements. The Auditor General of Canada reviewed and assessed the *CCRA Performance Report*. This assessment can be found on pages 1-118 to 1-120 of the report. However, the Auditor General of Canada's assessment does not extend to the supplementary performance information found in this document, "*Comprehensive Discussion of Our Performance by Business Line in Support of 2001-2002 Annual Report to Parliament*".



Table of Contents

Comprehensive Discussion of Our Performance by Business Line in Support of Accountability— 2001-2002 Annual Report to Parliament

Introduction.....	7
Tax Services	11
About Tax Services	13
Evaluating Our Overall Performance.....	16
Discussing Our Performance.....	20
by Anticipated Result.....	20
The Road Ahead	62
Attachment 1: Logic Model.....	65
Attachment 2: Service Standards in Tax Services	66
Benefit Programs and Other Services	71
About Benefit Programs and Other Services	73
Evaluating Our Overall Performance.....	77
Discussing Our Performance.....	80
by Anticipated Result.....	80
The Road Ahead	96
Attachment 1: Logic Model.....	99
Customs Services	101
About Customs Services	103
Evaluating Our Overall Performance.....	105
Discussing Our Performance.....	108
by Anticipated Result.....	108
The Road Ahead	134
Attachment 1: Logic Model.....	136
Attachment 2: Service Standards in Customs	137

Continued





Table of Contents (Continued)

Appeals139

 About Appeals.....141

 Evaluating Our Overall Performance.....143

 Discussing Our Performance.....146

 by Anticipated Result.....146

 The Road Ahead169

 Attachment 1: Logic Model.....171

Corporate Management and Direction173

 About Corporate Management and Direction175

 Evaluating Our Overall Performance.....177

 Discussing Our Performance.....182

 by Anticipated Result.....182

 The Road Ahead208

 Attachment 1: Logic Model.....210

Appendices213

 Appendix A – Managing the Compliance Continuum.....213

 Appendix B – Working with our Partners.....219

 Appendix C – Measuring Client Satisfaction221

 Appendix D – Glossary224

 Appendix E – Acronyms and Abbreviations232





Introduction

The Canada Customs and Revenue Agency (CCRA) is proud to provide you with this document entitled ***Comprehensive Discussion of our Performance by Business Line***. It provides a detailed description of the performance of our five business lines in line with the CCRA's overall performance story contained in our second annual report entitled, ***Accountability—2001-2002 Annual Report to Parliament***.

Accountability (also available on-line at www.ccra.gc.ca/annualreport), is the ongoing title of our annual reports to Parliament. It is a permanent record of the funds we have spent and the results we have achieved in our second year of operation as an agency, as they relate to the mission and strategic objectives set out in our 2001-2002 to 2003-2004 *Corporate Business Plan*. It is presented in two parts:

- the *CCRA Performance Report* offers an agency-wide overview of our performance as well as a comprehensive description of our expected outcomes, anticipated results, success criteria, and performance for each of our five business lines (Tax Services, Benefit Programs and Other Services, Customs Services, Appeals, and Corporate Management and Direction). In addition this report includes an assessment from the Auditor General of Canada of the fairness and reliability of the performance information; and
- the *CCRA Financial Statements* provides the audited financial results of our operations and responsibilities during 2001-2002 and other financial information to meet government-wide performance reporting requirements.

In ***Comprehensive Discussion of our Performance by Business Line*** you will find additional context and detail to the performance information contained in **Accountability** for each of the CCRA's five business lines. It also provides a more detailed discussion of our approach to delivering on our mission of promoting compliance with Canada's tax, trade and border laws (See Schedule A Managing the Compliance Continuum), and a more focused look at the results of client surveys and partnerships. For ease of reference, both a glossary and a list of acronyms are included. We anticipate that this comprehensive discussion will be of interest to CCRA employees and other individuals and organizations wishing to gain a deeper understanding of the results we are achieving for Canadians.

Within the context of our mission and strategic direction, we have identified two strategic outcomes that represent the ultimate results we are seeking as an organization: **Compliance**—that Canadians comply with tax, trade, and border legislation; and **Innovation**—that the CCRA is a leading-edge service organization. These two strategic outcomes are supported by six intermediate-level outcomes that have a clear impact on Canadians. Each of our business lines contributes to one or more of these outcomes:

The CCRA's expected outcomes

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

Of these six intermediate outcomes, the last two fall within our innovation agenda, which is the subject of a multi-year plan we are in the midst of implementing, and which has been refined since we first became an agency. Our innovation agenda includes four change objectives, further elaborated in our 2001-2002 to 2003-2004 *Corporate Business Plan*: transformation of our core business for better service delivery; human resources reform and renewal; administrative reform and renewal; and transparent management for results. We are reporting our year-two progress against our change agenda, building on last year's performance results. This milestone is particularly relevant, as realizing our change agenda is essential to achieving real gains in preparation for our five-year review by Parliament.

The four other outcomes relate to our core, day-to-day operations. Sustaining an appropriate level of performance year in and year out against the expectations we have established for these four outcomes remains the primary focus for our business lines.

To assess our performance in achieving our six intermediate outcomes for innovation and core operations, we have established 34 anticipated results that are aligned with the strategic goals and objectives and organized along our two strategic outcomes:

Managing the compliance continuum. All the services and activities we carry out fall along a continuum that runs from facilitating Canadians' obligations to comply with the law, where voluntary compliance is considered to be generally high, to assisted compliance that provides added checks and balances (e.g., audit) to ensure that the law is properly understood and respected, to enforcement activities aimed at counteracting tax evasion and smuggling. Underpinning the compliance continuum is a dispute resolution system that aims to provide fair and impartial redress. Managing the compliance continuum requires us to maintain a balance between individual interests and the public good, whether we are providing high-quality and responsive services on the one hand, or responsible enforcement on the other.

Innovating for the future. Innovation is a key driver of the CCRA's change agenda. We want to be recognized as a leading-edge service organization, and four change objectives guide our agenda: business transformation that keeps pace with client needs; human resources reform and renewal; administrative reform and renewal; and transparent management for results. Implementation is well under way in all these areas.

Rating our performance

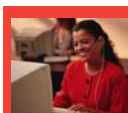
We use a performance report card system to align anticipated results with expected outcomes by business line, identifying the actual results achieved and the indicators we use to assess our performance. Our overall assessment of ratings reflects our best judgment of our performance and the quality of our data, based on a combination of quantitative and qualitative factors.

We rate each anticipated result and show whether our performance met, mostly met, or did not meet the target. We also rate the quality of our performance information according to whether the data are considered good, reasonable, or weak. This dual rating system uses colour-coded symbols where squares indicate our performance and circles indicate the quality of our data. In assessing our performance for 2001-2002, we used a range of indicators including survey results, statistical samples, and relevant business volumetrics. In some cases, we relied on estimates to get a rough, but useful sense of a performance trend. Over time, these estimates provide an indication of how well the CCRA is performing at promoting compliance, within certain parameters. In other cases, robust performance indicators are not yet in place, or the supporting data are inherently too imprecise to draw firm conclusions, but represent the best available information at this time.



This document has not undergone the third party review to which *Accountability* was subjected.

The ratings included in this document reflect the assessment made in **Accountability—2001-2002 Annual Report to Parliament** and are, in fact, identical to the ratings in the tabled report. Additional material in this document support and complement **Accountability** providing a more detailed portrayal of key elements. However, this document has not undergone the third party review by the Office of the Auditor General to which **Accountability** was subjected. It is important to note that the data quality ratings displayed in this document relate only to the information found in **Accountability** and are not intended to provide assurance as to the quality of the information presented in this Comprehensive Discussion of our Performance by Business Line.



Tax Services: page 11



Benefits and Other Services: page 71



Customs Services: page 101



Appeals: page 139

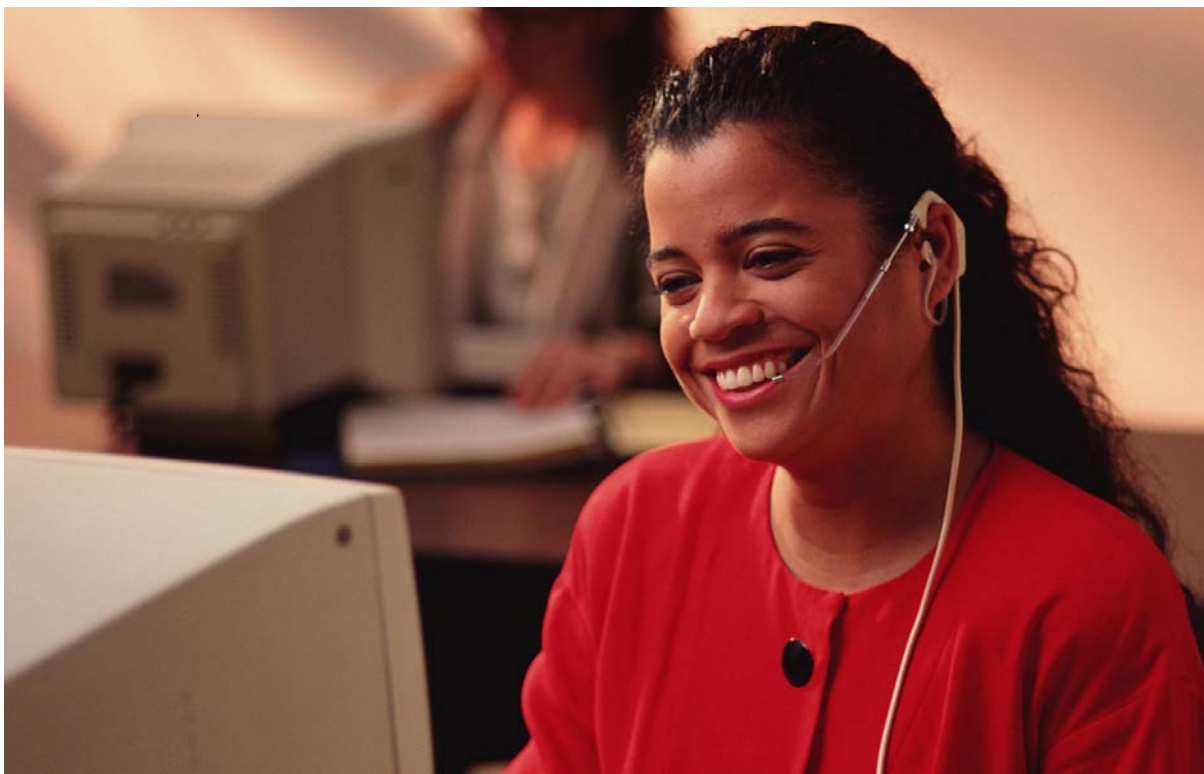


Corporate Management and Direction: page 173





Tax Services



Tax Services

Rating System



Anticipated results met

Rating is based on good data quality – Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results mostly met

Rating is based on reasonable data quality – Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results not met

Rating is based on weak data quality – Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods

Variance



Year-over-year performance improved for **Managing the Compliance Continuum**



Year-over-year performance remained unchanged for **Managing the Compliance Continuum**



Year-over-year performance declined for **Managing the Compliance Continuum**



Performance exceeded expectations for year 2 of 5 for **Innovating for the Future**



Performance on track with expectations for year 2 of 5 for **Innovating for the Future**



Performance did not meet expectations for year 2 of 5 for **Innovating for the Future**



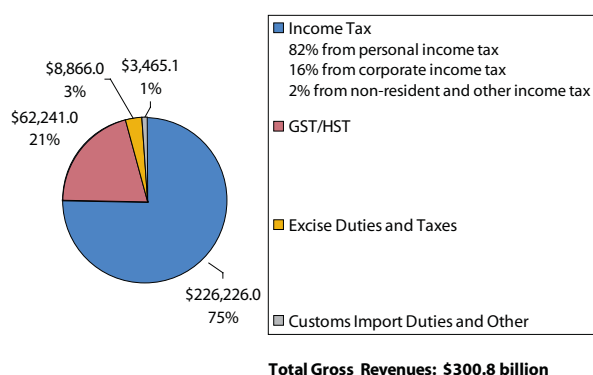
Tax Services

About *Tax Services*

As the CCRA's largest business line, Tax Services directly affects over 25 million individuals, businesses, trusts, and organizations. The taxes administered, assessed, and collected through this business line, on behalf of the federal, provincial, and territorial governments, fund a wide range of programs and services that ultimately have an impact on the well-being of all Canadians. Day to day, and through our innovation agenda, we work to improve client satisfaction and strengthen public confidence in the integrity of the tax system.

Work in Tax Services involves informing clients of their rights and entitlements; registering new businesses; processing and assessing client returns; maintaining the assessment, application, and compliance of registered charities; maintaining an effective accounts receivable function; performing reviews and audits; monitoring registered plans; and identifying, researching, and prosecuting suspected cases of fraudulent non-compliance. We also issue rulings and interpretations to clarify the application of tax law. Each year, we collect some \$300 billion in gross taxes and excise duties, on behalf of the federal, provincial, and territorial governments, which amounts to about \$1.2 billion every working day. However, these statistics obscure what is, in reality, a workload that fluctuates dramatically over the year. Gearing up for each "tax season" is a massive undertaking involving an extraordinary amount of complex work behind the scenes.

Exhibit 1: Source of Total Agency-wide Gross Revenues for 2001-2002 (\$millions)



As Exhibit 1 illustrates, Tax Services collected about 99% (\$297.3 billion) of the total agency-wide gross revenues (\$300.8 billion) on behalf of the federal, provincial, and territorial governments. About 75% (or \$226.2 billion) of the total gross revenues was from personal and corporate income taxes. Of that amount, 82% (or \$186 billion) came from personal income tax. The GST/HST accounts for another 21% (\$62.2 billion) of gross revenues; 3% (\$8.9 billion) was from excise duties and taxes; and 1% (\$3.5 billion) came from customs import duties and other revenues. Offsetting these figures are income tax, GST/HST, excise, and customs refunds that amounted to \$60.4 billion in 2001-2002.

When we assess taxes to be paid, we also administer billions of dollars in tax expenditures, such as the Scientific Research and Experimental Development (SR&ED) credits, targeted credits, and deductions that generate refunds or reduce the amount of tax that would otherwise be owed.

Tax Services

Exhibit 2: Key Workload Volumetrics

Type of Workload	Volume for 1999-2000	Volume for 2000-2001	Percentage Increase	Volume for 2001-2002	Percentage Increase
Gross Taxes and Excise Duties*	\$272.2B	\$292.6B	7.5%	\$297.3B	1.6%
Public Enquiries Handled*	17,228,045	17,322,715	5.5%	16,388,302	-5.4%
T1 Individual Returns	21,960,582	22,374,821	4.0%	22,752,490	1.7%
T2 Corporate Returns	1,215,000	1,283,000	5.6%	1,589,874	23.9%
T3 Trust Returns	374,561	381,583	1.9%	363,410	-4.8%
GST/HST Returns (excl. Quebec)	5,943,542	6,060,003	2.0%	6,369,781	5.1%
Audits	282,187	288,107	2.1%	282,974	-1.8%
Investigations	2,650	2,663	0.5%	3,093	16.1%
Rulings / Interpretations Enquiries	173,673	161,450	-7.0%	153,520	-4.9%
Charities Returns	78,000	78,000	0.0%	78,629	0.8%

* Tax Services Business Line only

Spending Profile

In 2001-2002, 53% (\$1.92 billion) of the CCRA's overall budget was devoted to the Tax Services business line, against which we spent \$1.86 billion (Exhibit 3). While overall funding for Tax Services has increased over the years, it has not kept pace with the increasing complexity and growth of our workloads. Any increased funding had been applied to non-discretionary workloads, such as the implementation of federal budgets and investments in infrastructure. In prior years, many of our activities relating to review, audit, enforcement, and the collection of unpaid taxes suffered from a funding gap. Recent efforts have attempted to address this shortfall. This past year was the first year of multi-year funding that was provided to the CCRA to address these long-term funding gaps in review and enforcement activities and to stabilize the resources in line with rising workloads of increasing complexity.



Tax Services

Exhibit 3: Business Line Spending

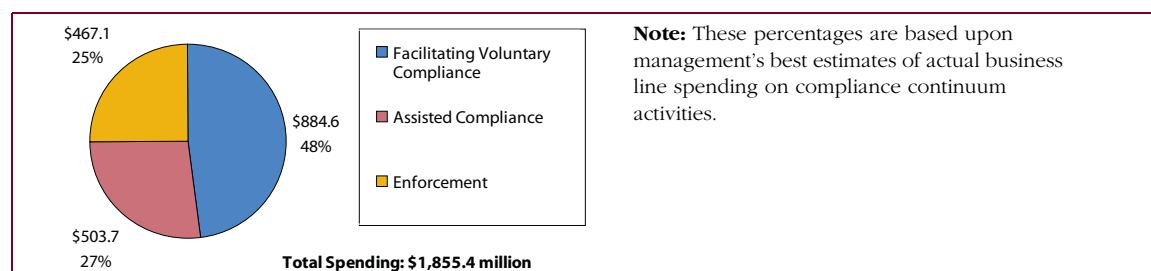
Tax Services	1999-2000	2000-2001	Percentage Increase	2001-2002	Percentage Increase
Planned Spending (\$000) ^a	1,451,003	1,557,029	7.3%	1,532,071	-1.6%
Allocation of Authorities (\$000) ^b	1,667,610	1,784,674	7%	1,917,553	7.4%
Actual Spending (\$000)^c	1,634,723	1,751,826	7.2%	1,855,461	5.9%
Planned FTEs ^d	26,798	27,569	2.9%	26,696	-3.2%
Total FTE Authorities ^d	28,079	28,724	2.3%	29,840	3.9%
Actual Number of FTEs^e	26,379	27,617	4.7%	27,672	0.2%

- Planned Spending is the Agency published Main Estimates (spending approved by Parliament at the beginning of the fiscal year). These figures are net of spendable revenues (Revenues credited to the Vote).
- Total spending authority provided by Parliament for the fiscal year. It includes Main Estimates plus any in-year Supplementary Estimates and year-end approvals. These figures are net of spendable revenues.
- Actual spending is net of spendable revenues.
- Estimates of FTEs based on Parliamentary approved Planned Spending and Authorities for dollars.
- For 2001-2002, the allocation of Information Technology Branch resources to this business line is done on a different basis than the authorities and the previous years, making year-over-year comparison difficult. The CCRA is taking steps to better align these Authorities and Actual data by business line.

Tax Services engages in a range of activities across the compliance continuum (see Schedule A on page 213), from facilitation to enforcement, to ensure that Canadians pay their fair share of taxes and to protect the tax base.

As shown in Exhibit 4, the largest share of Tax Services resources (48%, a slight decrease from 51% last year) was spent on facilitating voluntary compliance (through various service channels such as telephone assistance, publications, outreach services, and processing returns). The second largest share (27%, compared to 28% last year) was spent on assisted compliance (reviews, examinations, and audits), and the remainder (25%, compared to 21% last year) was devoted to enforcement (e.g. collection actions, investigations, and prosecutions).

Exhibit 4: Total Tax Services Resources Allocated to the Compliance Continuum for 2001-2002 (\$millions)



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

Evaluating Our **Overall Performance**

We Have One Expected Outcome

Tax Services supports the achievement of the CCRA's two strategic outcomes—compliance and innovation—through the results it achieves against its expected outcome: ***Canadians pay their fair share of taxes and the tax base is protected***. Our tax system is based on self-assessment and voluntary compliance. Canadians are more likely to participate in the tax system and pay the taxes they owe if we provide timely and accessible services to help them do so. People find it easier to participate when the system is accessible and when service is timely and fair. The accurate, timely, and efficient processing of returns encourages participation and shortens the time between filing and the receipt of taxes owing or the distribution of refunds.

Although quality service and the efficient processing of returns help to promote compliance, there will always be some instances where individuals and businesses either unintentionally or intentionally fail to be fully compliant. A knowledgeable, skilled, and appropriately staffed workforce that understands compliance behaviour and identifies areas of non-compliance is key to protecting the tax base, which the government relies upon to fund its social and economic policy objectives. This, along with a sound risk management approach for guiding audit, review, and debt collection activities, helps ensure that any leakage in the tax base (non-compliance) is kept at a relatively low level, thereby contributing to greater equity and fairness in the administration of tax laws.

Performance Context

Against the backdrop of our expected outcome, the need to achieve and maintain high levels of client satisfaction drives our performance efforts. This is fundamental to promoting confidence in the integrity of the tax system. In turn, client satisfaction is driven by our ability to do the job, and our capacity to continue to innovate in order to respond to the changing needs and expectations of Canadians. It is also driven by the effectiveness of our compliance programs, which work to responsibly contain intentional and unintentional non-compliance at relatively low levels and ensure that the tax system is fair. This is why we aim to ensure an appropriate audit presence, and we employ sophisticated compliance programs to help us target where risk is greatest, thereby reducing the burden on compliant Canadians. We also strive to clearly communicate obligations and requirements. For example, we have been proactive in establishing audit protocol agreements with large businesses to foster openness and transparency in our review activities. In addition, we conduct client satisfaction surveys so that we can be sure our messages are clear and our overall approach is balanced.



Tax Services

High-Level Success Criteria

Below, we assess our performance against our expected outcome using the following high-level success criteria:

- We provide high-quality services that encourage and facilitate participation in the tax system.
- We process returns in a manner that promotes the timely, accurate, and efficient assessment of taxes owing, the distribution of refunds as appropriate, and the proper updating of account information.
- We employ an appropriate mix of compliance and enforcement activities to effectively target and address compliance issues.
- The majority of Canadian individuals and businesses continue to participate in the tax system and meet their obligations.

Starting on page 21, we discuss in detail our performance against each of our 11 anticipated results, using more detailed success criteria that are built on the high-level criteria.

Conclusions Against Expected Outcome

On balance, we believe that through our strong performance against each of the above success criteria, we have met our expected outcome in 2001-2002. Overall, in terms of Canadians participating in the tax system and paying their fair share of taxes, the most recent available estimates suggest that the majority of individuals and businesses filed their income tax and GST/HST returns and paid their reported income taxes

on time. For instance, we estimate that 93.8% of all Canadian adults and 91.9% of all taxable corporations filed an income tax return on time, and over 90% of all taxable individual and corporate filers paid their reported taxes on time.

Our performance in client service delivery and processing returns was sound, meeting or mostly meeting many of our most important service standards and internal performance standards. For example, we exceeded our “mission-critical” target for processing 98% of timely filed T1 returns in time to update account information for the new benefit year. Based on estimates from our Annual Survey, nearly three quarters of Canadian individuals believe the CCRA is doing a good or very good job in the area of income tax.

With respect to protecting the tax base, we invested new funds to increase our audit presence, improve the collection of tax debt, and enhance the visibility of our compliance programs. Our strengthened compliance and collection activities exceeded our fiscal-impact and cash collection commitments to the Government of Canada. Further, in our judgement, non-compliance, while material, generally remains at relatively low levels, and the tax base is protected. Measuring the overall level of non-compliance (the “tax gap”) is inherently costly, imprecise, and fraught with assumptions. Our judgement, therefore, reflects a qualitative assessment based on our experience and available evidence and estimates relative to prior years and other countries. Compliance tends to be very high for income subject to third-party information reporting (over 98% for wages and salaries), but lower for business income (with over 20% of corporate and self-employed income tax accounts deemed to be at a substantial risk for non-compliance).

On balance, we believe that through our strong performance against each of the above success criteria, we have met our expected outcome in 2001-2002.

Tax Services






















Notwithstanding, we continued to have a performance gap related to our audit coverage targets, due in part to delays in the receipt of funding and in the “ramping up” of new resources to fully productive levels. In addition, more progress is needed to address the level of accounts receivable, which grew from \$13.9 billion to about \$16 billion during the course of the year. With the aid of additional funding from Parliament, we have made some year-over-year progress on both issues. However, it will take several years to realize the full impact of the additional investments.

Further, we are continuing to refine our risk management framework and enhancing our systems to better allocate our compliance resources across our compliance operations in order to make tax administration more equitable, collect the right amount of taxes, and impose a smaller burden on compliant taxpayers.

Regarding our innovation agenda, extensive consultations with client groups through our Future Directions initiative have confirmed electronic service delivery to be the correct driving force behind our ongoing business transformation for improved service and efficiency. We have continued to expand our electronic service options, meeting all our commitments for 2001-2002. Canadians' responsiveness and take-up has shown steady growth.

As shown in the “Tax Services Performance Report Card” (Exhibit 5), a summary of our performance, our overall strong performance on a year-to-year basis was sustained with improvements against six of our anticipated results, that support this outcome.

Exhibit 5: Tax Services Performance Report Card

Tax Services Report Card						
Expected Outcome – Canadians pay their fair share of taxes and the tax base is protected						
Managing the Compliance Continuum	Anticipated results	This year's ratings	Last year's ratings	Variance	Actual results as demonstrated by	Page
	1. Majority of Canadians and businesses participate in the tax system				<ul style="list-style-type: none"> ■ We estimate that 95% of taxes were received without any audit or collection activities. 	21
					<ul style="list-style-type: none"> ▲ Over 90% of all taxable Canadian individuals and businesses filed and paid their reported income taxes on time, and over 90% of all registrants outside Quebec filed their GST/HST returns on time. 	22
	2. Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs				<ul style="list-style-type: none"> ▲ Our annual survey indicates that nearly three-quarters of Canadians believe the CCRA is doing a good or very good job in the area of income tax. 	25
					<ul style="list-style-type: none"> ■ On balance, our performance against our service standards improved modestly from last year, and the scope of standards has not yet been expanded beyond timeliness. 	26
					<ul style="list-style-type: none"> ▲ Telephone caller accessibility was within target and substantially improved during peak periods. Overall, caller volume declined while number of Web hits almost doubled—a possible indication of a reduced need for clients to call. 	27
					<ul style="list-style-type: none"> ■ We again successfully communicated and implemented major legislative changes, including completion of Tax on Income (TONI) for remaining provinces and territories (except Quebec). 	24
					<ul style="list-style-type: none"> ■ \$245 million in interest and penalties was cancelled or waived in cases of hardship or other extenuating circumstances. A systematic, Agency-wide program for monitoring the consistency of cancellation decisions has not yet been implemented, although the fairness registry was reviewed as a first step. 	31



Tax Services

Tax Services Report Card						
Expected Outcome – Canadians pay their fair share of taxes and the tax base is protected						
	Anticipated results	This year's ratings	Last year's ratings	Variance	Actual results as demonstrated by	Page
Managing the Compliance Continuum	3. Processing of returns is accurate, timely, and efficient				<ul style="list-style-type: none"> 99.8% of timely filed T1 returns were processed by the critical target date. Electronic filing continues to grow in popularity. Accuracy rates have remained high despite increased complexity. Timeliness in processing corporate income tax returns declined, although the backlog of unassessed returns from the year before was successfully reduced. 	33 33 33 34
	4. Level of tax debt is within targeted level				<ul style="list-style-type: none"> We significantly exceeded our cash collection commitment to the Government of Canada associated with new funding by \$1.0 billion. The proportionate share of the value of accounts receivable over five years old declined by two percentage points relative to last year. Accounts receivable continued to grow as a percentage of gross revenue in part due to rising intake of new debt. A major initiative was launched to improve overall performance. 	38 39 38
	5. Compliance behaviour is understood with a view to minimizing areas of non-compliance				<ul style="list-style-type: none"> We developed an initial framework, based on the establishment of a comprehensive "basket" of performance indicators, for improving our understanding of compliance. Our risk assessment and validation programs indicate that the risk of non-compliance has remained relatively stable for both individual and business accounts, and it is our judgement that non-compliance overall is contained at relatively low levels. 	40 40
	6. Allocation of compliance and enforcement resources is guided by risk				<ul style="list-style-type: none"> Our effectiveness in securing tax returns and GST/HST registrations has improved. Matching and validation programs continue to show a higher average dollar adjustment amount and adjustment rate than those sampled at random. 	47 45
	7. Actively seek legislative changes as required to enhance simplification, minimize misreporting and unintentional non-compliance				<ul style="list-style-type: none"> We continued to demonstrate diligence in identifying and recommending changes to legislation. Significant progress made in the overhaul of the <i>Excise Act</i> and <i>Excise Tax Act</i>. Following events of September 11, we helped draft and subsequently executed our new found responsibilities under the <i>Charities Registration (Security Information) Act</i>. 	49
	8. The right programs are used and are effectively delivered				<ul style="list-style-type: none"> The \$6.5 billion overall fiscal impact from our programs exceeded the \$6.2 billion commitment to the Government of Canada. Take-up under our Audit Protocol Agreement program continues to grow. Modest progress achieved in improving the timeliness of SR&ED delivery, but further progress is needed to achieve service standards. 	53 51 54
	9. Sufficient resources are available to invest in compliance programs				<ul style="list-style-type: none"> 900 new auditors were hired and trained with new funding resources. Fiscal impact improved by \$500 million over last year. Although we were unable to meet some of our audit coverage level targets, our overall coverage was similar to last year; our investments in hiring and training position us well to meet our future audit coverage targets. 	57 57
	10. Knowledgeable and skilled workforce is in the right place at the right time				<ul style="list-style-type: none"> We met our overall target for additional staff, with 900 new auditors hired by the end of the year. Across all functions, the number of full-time equivalent (FTE) staff for this year has remained virtually constant. The hiring of auditors occurring late in the year had a marginal impact on our FTE count for this year. 	58 58
	11. Core business is under transformation to better meet our mission				<ul style="list-style-type: none"> We have exceeded our key program commitments earmarked for year 2 of our innovation agenda. Extensive client consultations confirm the relevance our strategy of continued expansion of electronic service options. As well, take-up rates for these options continue to grow and we have enhanced our leadership role in the Government-On-Line initiative. Under the Future Directions Initiative, we made solid progress in developing an integrated service vision across agency business lines. 	60 60
Innovating for the Future (Year 2 of 5)						

Tax Services

Contributions of Others

The achievement of our expected outcome is not solely attributable to the CCRA. Our job is made easier through the support of a strong legislative foundation, which promotes compliant behaviour through such provisions as requirements for employers to withhold source deductions (over 1.4 million employers withheld and remitted some \$151 billion in source deductions in 2001-2002), and sanctions and penalties for non-compliance. We also benefit from the assistance of the ministère du Revenu du Québec, which administers the GST within Quebec. As well, many financial institutions contribute to our expected outcome by providing accessible service to individuals and businesses so that they can conveniently receive and deposit refunds and meet their obligations to remit tax payments.

Logic Model

We have prepared a Tax Services logic model (see page 65), which offers a roadmap showing the links between our inputs, activities, and outputs that are essential to achieving our eleven anticipated results in support of our expected outcome. It also shows how these fit into the CCRA's overall strategic outcomes. This logic model is the foundation of our performance report card, which summarizes our performance against each anticipated result.

Discussing Our *Performance* by Anticipated Result

We assess our performance for the Tax Services business line against 11 anticipated results as they relate to our expected outcome: ***Canadians pay their fair share of taxes and the tax base is protected.***

Ratings are provided for each anticipated result. They show whether our performance met (green), mostly met (yellow), or did not meet (red) the results. We provide a separate rating on the quality of the information upon which we based the assessment. As with other business lines, we assess our performance against two themes: managing the compliance continuum and innovating for the future.

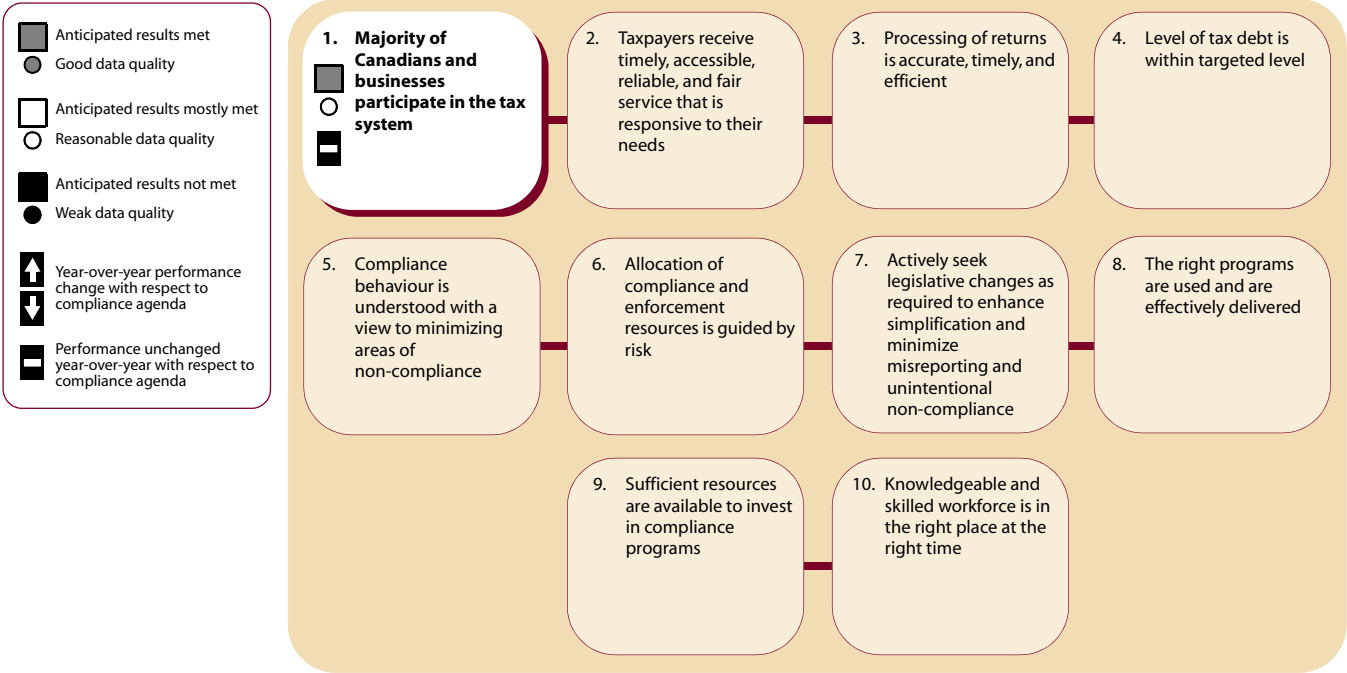


Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 1



Conclusion

Our most recent available estimates suggest that the high levels of compliance reported on in 2000-2001 were sustained. Most Canadian individuals and businesses file their income tax and GST/HST returns on time, register for the GST/HST as required, and pay their reported taxes when they are due.

Success Criteria

High levels of compliance that meet or exceed those we reported in 2000-2001 (revised to reflect changes in methodology and the incorporation of measures of GST/HST registration and filing compliance).

Highlights

We make considerable efforts to provide quality service and undertake outreach initiatives to promote participation in the tax system. Our efforts are supported by a strong legislative foundation, the co-operation of over 1.4 million employers that withhold and remit source deductions, and the collaboration of our federal, provincial, and territorial partners. Canadians exhibit a high degree of filing and remittance compliance. Currently, 95% of federal revenues are collected without any audit or collection activities. Our most recent available estimates suggest that the high levels of filing and remittance compliance reported in 2000-2001 were sustained (Exhibit 6 and Exhibit 7).

Tax Services

While many Canadians have no legal obligation to file an income tax return because their income is below the filing threshold, some of these individuals file to claim social benefits, such as the Canada Child Tax Benefit and the GST/HST credit. We estimate that 91.9% of all Canadian individuals 18 years of age and older filed a timely individual income tax return for the 2000 tax year—a high level of compliance when one considers that not everyone is required to file. Remittance compliance among Canadian individuals was also high, with an estimated 90.3% of all taxable filers paying their reported income taxes on time during the 2000 tax year. Compared to our revised estimates for the prior year, these figures represent a 0.3 percentage point improvement in timely filing and a one percentage point improvement in remittance compliance.

Exhibit 6: Filing and Registration Rates

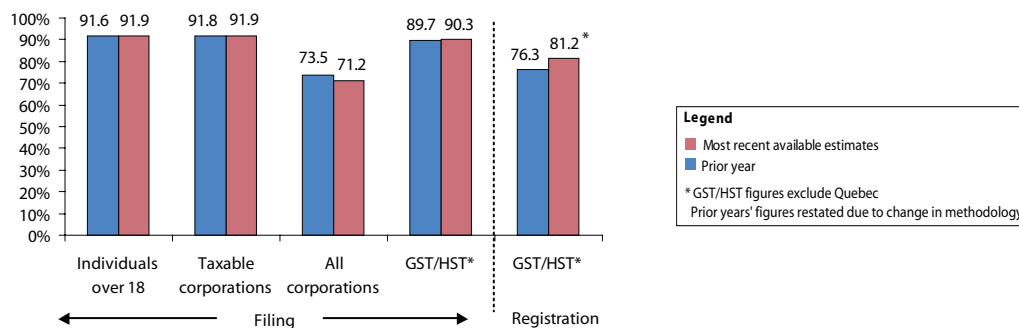
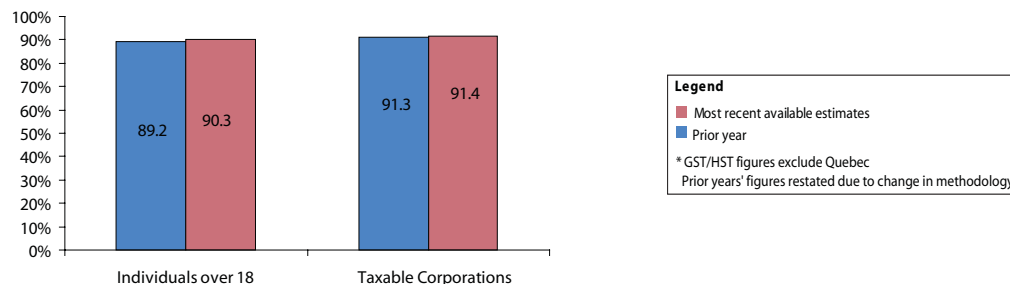


Exhibit 7: Percentage of Taxable Individuals and Corporations That Pay Reported Income Tax on Time





Tax Services

Filing and remittance compliance was also reasonably high among corporations during the 2001-2002 fiscal year (Exhibit 6 and Exhibit 7). Of the estimated 1.42 million incorporated businesses in that year, slightly over a million (71.2%) filed a T2 return on time. This represents a decline in timely filing of 2.3 percentage points from our estimate for the 2000-2001 fiscal year. Although these figures indicate that a fair number of corporations do not file their T2 returns on time, many of these late filers are not taxable. Among those that are taxable, we estimate that 91.9% submitted a timely return during the 2001-2002 fiscal year. Most taxable corporate filers also pay their reported income taxes on time. We estimate that 91.4% made a timely remittance for the 2001-2002 fiscal year. These estimates for filing and remittance compliance among taxable corporations are essentially unchanged from our revised figures for the prior year.



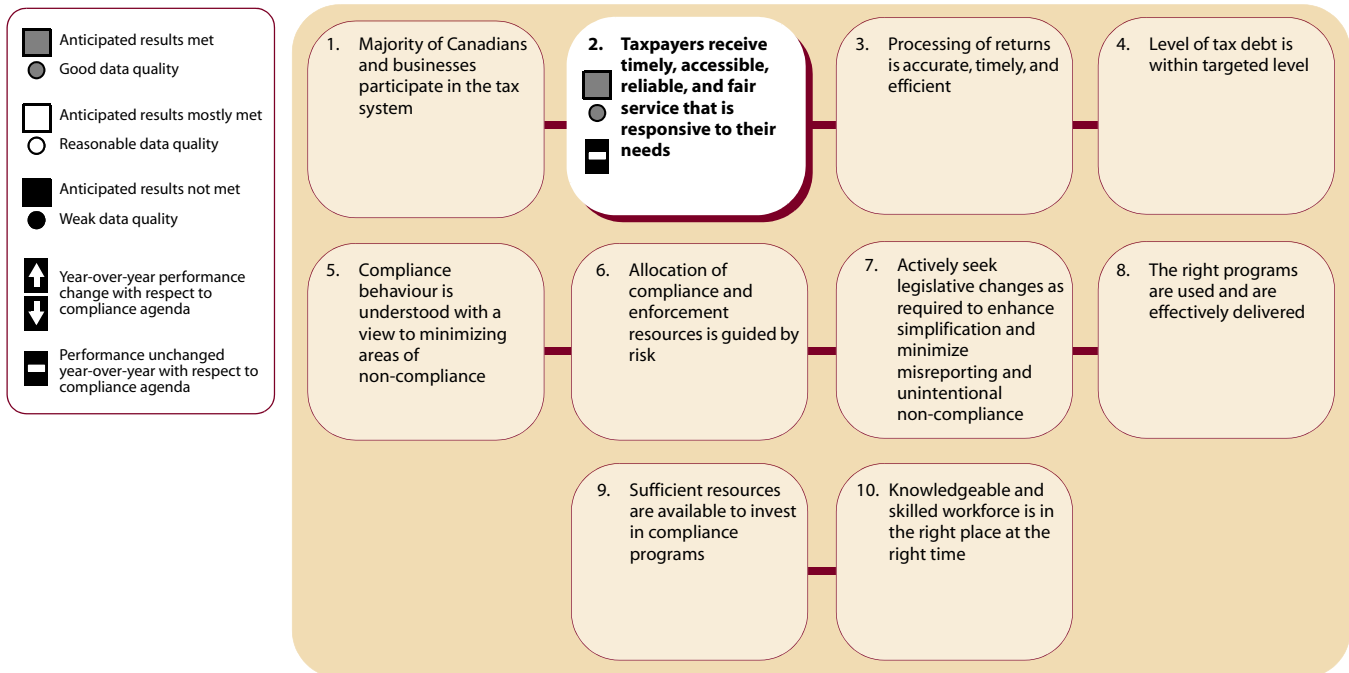
We have recently been able to develop estimates of GST/HST program participation among Canadian businesses during 1999-2000 and 2000-2001 (Exhibit 6 and Exhibit 7). Specifically, we estimate that 81.2% of all Canadian businesses residing outside Quebec were registered for the GST/HST in 2000-2001. (Businesses residing within Quebec register with the ministère du Revenu du Québec, which administers the GST on behalf of the CCRA.) This represents an increase in participation of 4.9 percentage points from the previous year, when an estimated 76.3% of Canadian businesses residing outside Quebec were registered. Our figures indicate a high degree of registration compliance, particularly when one considers that many businesses are not required to register for the GST/HST (for example, because their gross revenues are below the registration threshold). Nearly 90% of these registrants filed their GST/HST returns on time, compared to 89% the previous year. We are not yet able to estimate the degree of remittance compliance for the GST/HST, but we note that businesses (including those in Quebec) collected \$62.2 billion in GST/HST on taxable sales of goods and services and remitted the net amount that was due from these collections to the CCRA.

Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 2



Conclusion

On balance, we continue to provide Canadians with timely, accessible, reliable, and fair service that is responsive to their needs. While we met our 90% to 95% telephone caller accessibility target, our timeliness in answering calls was somewhat below our internal performance standard. Our Annual Survey indicates that the estimated percentage of clients who agree that the CCRA is doing a good or a very good job in the area of income tax has increased significantly.

Success Criteria

Overall client satisfaction rating from our Annual Survey meets or exceeds our benchmark result for 2000-2001.

Service standards and internal performance standards are met or exceeded, particularly the most important ones.

Effective communication and implementation of legislated changes within required timeframes.

Reduced call volumes and increased take-up of alternative electronic information services.

Highlights

Timely response to legislative changes – A fundamental aspect of client service is to inform taxpayers in an effective and timely way of the implications of changes to the law, in a manner that is responsive to their needs. The 2001 tax year included the full implementation of Tax on Income (TONI). Building on our successful implementation of TONI in 2000, which was first introduced by five provinces, we implemented TONI for the remaining provinces and territories (except Quebec) in 2001 on time and with no significant problems.



Tax Services

Under TONI, the provinces and territories have the flexibility to define their own tax rates, which are based on taxable income rather than on a percentage of the basic federal tax amount; to add supplements to existing non-refundable tax credits; and to introduce any number of new non-refundable tax credits. The expansion of TONI to all provinces and territories (except Quebec) was a major undertaking.

Key challenges for TONI included:

- capturing more than 236 million additional data elements;
- developing and expanding the new TONI processing system while maintaining the existing “tax-on-tax” system to assess previous-year returns;
- making significant changes to manuals, guides, forms, schedules, tax tables, and payroll deduction formulas; and
- informing employers about TONI and training staff to respond to enquiries.

Timely, accessible, and reliable services – We have various delivery modes, such as publications, electronic, on-line, and telephone services, that provide accessible and reliable information to help taxpayers understand their tax obligations. In addition to reviewing our performance in implementing legislative changes, we rely on indicators of the timeliness, accessibility, and reliability of CCRA client services to assess our performance in responding to the needs of our clients. We evaluate these indicators against benchmarks for client satisfaction and client accuracy, service standards and targets, and principles of fairness.

I. Client satisfaction and client accuracy

We obtain client feedback through surveys, focus tests, baseline studies, and stakeholder and partner advisory committees. Our 2001 Annual Survey indicates that Canadians remain generally satisfied with the CCRA's performance in the tax services area. The client satisfaction ratings this year are generally as high or higher than the benchmark values from the CCRA's 2000 Baseline Survey. Overall, 74% of respondents report that the CCRA is doing a good or a very good job in the area of income tax, significantly up from 71% the year before. Similarly, 80% of respondents now either mostly or strongly agree that information provided by the CCRA is clear and simple to understand—a substantial improvement from the 73% benchmark rating for 2000. Among the dimensions of client service, the highest rating this year is for the courteousness of our staff (89%), while the lowest rating is for the time it takes to get information or receive service (73%).

We also survey client satisfaction with registering and amending employee pension plans, retirement savings plans, retirement income funds, and similar registered plans. A November 2000 survey of registered plan consultants found that they were generally satisfied with the CCRA's telephone services, but had concerns about the turnaround times for written enquiries and initial reviews of amendments.

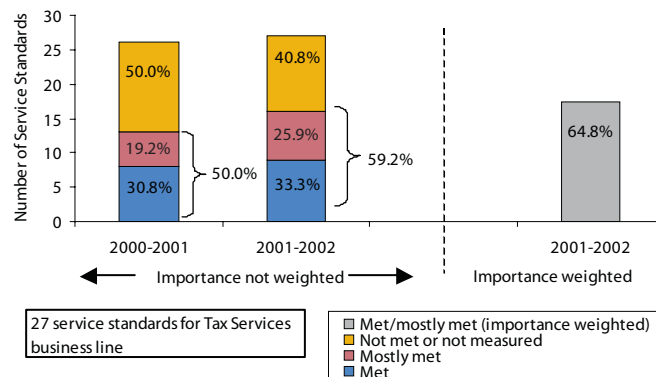
Another means by which we can assess our overall effectiveness in informing taxpayers and delivering service is by looking at how accurately taxpayers file their returns. The T1 Quality Evaluation Program measures taxpayer accuracy based on a sample of paper-filed individual income tax returns at the initial assessing stage (i.e., data entry, error correction, and high-risk containment). By analyzing errors that affect the amount of tax, we have found that client accuracy rates on paper returns have remained stable at reasonably high levels (over 92%) in recent years.

Tax Services

II. Service standards and Internal performance standards

The CCRA has established service standards for a number of its Tax Services operations (see "Attachment 2: Service Standards in Tax Services" on page 66). These standards focus on timeliness, while our internal performance standards deal with timeliness, accessibility, and reliability. Of the 27 service standards for Tax Services, about half are for client service delivery and the rest are for processing returns and conducting review activities. Exhibit 8 displays our performance against our service standards. Although we did not meet all of our service standards, we met or mostly met 16 of the 27 standards (59.2%). However, not all of our service standards are of equal importance in terms of the volume of clients affected or the implications for delivering key services. When we weight each standard by a measure of its importance, our weighted index of the percentage of standards we met or mostly met was 64.8%. The 5.6 percentage point differential from our unweighted completion percentage reflects the fact that we met or mostly met some of our most important standards, including those for processing paper and electronic T1 returns, responding to client-requested adjustments, processing fairness requests, and processing applications for registered pension plans.

Exhibit 8: Performance Against Service Standards

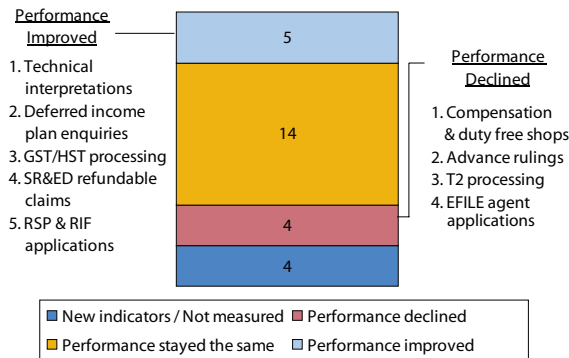


On balance, we have made modest progress, improving our performance against five of our service standards. However, performance declined against four standards (Exhibit 9). Beyond continuing to improve our overall performance against our existing service standards, we must also develop some new standards. In particular, we have not yet expanded the scope of our service standards to include all key modes of client service delivery, such as telephone enquiries and reviews of actuarial valuation reports on pension plan amendments. In addition, we need to broaden our service standards to go beyond timeliness and account for accuracy and reliability.



Tax Services

Exhibit 9: Service Standards Performance Changes from 2000-2001



Below, we report on our performance by key delivery mode against both our internal performance indicators and service standards.

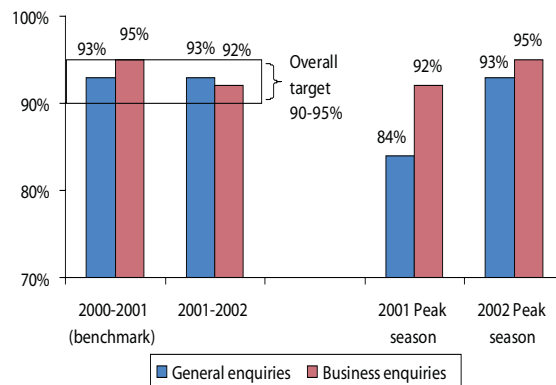
Telephone enquiries – The telephone remains the most popular means by which clients receive service from the CCRA. In last year's report, we noted that we had substantially improved telephone accessibility overall, but that accessibility during periods of peak demand (the filing season) remained a concern. Service during these periods is particularly important, because Canadians are calling to get information they urgently need to complete their tax returns. To improve our handling of calls during peak periods, we aligned our scheduling this past year to better match the number of agents to the volume of calls. In addition, we offered extended calling periods to better meet the needs of our clients. This included, for the first time, offering Saturday hours to business clients during the T4 filing period and offering extended hours to individuals seven days a week over the entire peak filing period.



Tax Services

As shown in Exhibit 10, our strategy appears to have worked. Specifically, we were able to improve telephone caller accessibility during the 2002 peak filing season by eight percentage points for individuals (from 84% to 92%) and by two percentage points for businesses (from 93% to 95%), relative to the 2001 season. Over the entire 2001-2002 fiscal year, 93% of all individual callers and 92% of all business callers were successful in getting into the queue to speak with an agent, well within our target of 90% to 95%. This means that most callers were able to reach the queue for service. It does not mean that they were successful on their first attempt. We no longer monitor the number of attempts made by callers as a performance measure. We believe that this statistic has become less meaningful with the advent of new technologies, such as automatic redial services.

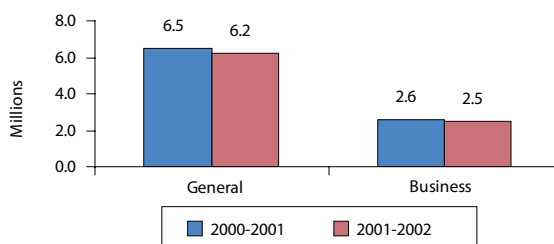
Exhibit 10: Telephone Caller Accessibility Overall and During Peak Filing Season



In terms of the timeliness of our service delivery, we answered 72% of all general enquiries and 75% of all business enquiries that entered the queue within two minutes. This was slightly below our 2000-2001 performance (75% and 79%, respectively), and also below our target of 80%. Building on our experience from this past filing season, we will continue to refine our scheduling of agents to match call demand on a year-round basis, with a view to improving both the timeliness and accessibility of our telephone enquiry services.

Further, our overall strategy is to reduce the need for clients to speak to an agent. We do this by providing better and more accessible information, including electronic service delivery tools, increasing our emphasis on outreach activities, refining our interactive voice response systems, and improving our publications. The decline in the number of callers (Exhibit 11) may be in part due to the expiration of certain one-time government initiatives in place in 2000-2001, or it may indicate that our alternative electronic services are helping to reduce our clients' need to call. We will monitor trends over the next several years to better understand how these alternative services affect our call volumes.

Exhibit 11: Year-over-Year Change in Number of Unique Callers





Tax Services

We have a quality assurance process in place for our general and business telephone enquiries. Throughout the year, an independent firm conducts surveys to provide an impartial assessment of the quality, including accuracy and reliability, of our technical responses, and the courtesy and professionalism of our agents. These results give us an indication of performance levels and are used primarily for quality improvement and training purposes. We continually evaluate the results and adjust our training, tools, and techniques to ensure that our agents provide accurate information to clients. To facilitate the year-over-year comparison of the accuracy of responses to technical enquiries, a baseline index of 100 was established for our general enquiries line in 1996-1997 and for our business enquiries line the following year. Compared to these baseline values, the accuracy index for general enquiries stood at 136.6 in 2001-2002, and the accuracy index for business enquiries stood at 138.3. This represents an increase of 3.3 points in our accuracy measure for general enquiries (from 133.3 to 136.6) and an increase of 1.6 points for business enquiries (from 136.7 to 138.3) from the 2000-2001 values.

Electronic assistance – Ultimately, our goal is to reduce the volume of telephone callers by offering our clients the help they need through more cost-efficient service delivery channels, such as on-line forms of assistance. Overall, last year, the number of tax-related hits (requests for pages) on our Web site almost doubled, to 32 million. During the peak tax season in 2002, we received an average of 4.7 million hits per month compared to 3.5 million the previous year. This may be an indication that our electronic information services are having the desired effect of reducing the need for our clients to call. Users can download nearly all CCRA forms and publications from our Web site. For clients seeking either general or account-specific information, the site also contains an on-line version of our Tax Information Phone Service (T.I.P.S.), which is accessible 24 hours a day, 7 days a week. An on-line interactive information service is also available at all times for individuals who want to find information about a variety of income tax topics using a question and answer format. For business clients, an on-line version of our telephone business information service (BIS) is available to provide basic tax information related to operating a business.

Forms and publications – The CCRA provides more than 900 tax-related publications (forms and guides) to individuals, businesses, and agents of the Crown. Each year, these publications undergo rigorous and highly structured, time-sensitive review processes to ensure that all legislative changes are accurately incorporated in a clear and easy-to-understand format, and in time to meet our critical target for bulk mailing in early January. Our 2001 Annual Survey indicates that 69% of taxpayers (67% last year) agreed that our guides and materials are clear and simple to understand.

Walk-in service – In 2001-2002, we provided assistance over the counter to 2.2 million taxpayers. We have begun work on developing a reliable measurement of performance against our service standard of providing walk-in assistance within 20 minutes (except during peak periods). In the interim, a sample review of nine tax services offices that have automated equipment to monitor wait times indicates that the average wait is less than 10 minutes in these offices. Client service rating cards also help us to assess our walk-in service performance—85% of clients

Tax Services

who completed the cards in 2001-2002 indicated that their wait time was under 20 minutes, roughly the same percentage as in 2000-2001.



Outreach services – Our outreach activities are geared towards providing information and assistance at the community level. Our Teaching Taxes Program aims to increase overall tax awareness and to educate Canadian youth on their income tax obligations and entitlements. Through collaborative efforts with educational institutions, we have been able to improve student participation in this program. In 2001-2002, we distributed over 93,000 student workbooks and 4,800 teaching manuals, up from 85,000 workbooks and 4,300 teaching manuals the year before. Through our Community Volunteer Income Tax Program, we assisted nearly half a million Canadians with their income tax returns and helped them to better understand their tax obligations and entitlements. Our tax services offices work with local community organizations and associations to provide information seminars tailored to the needs of individual communities. We provided over 1,100 seminars to small businesses in 2001-2002, up from 800 the year before.

Registration of plans and charitable organizations – The CCRA is responsible for registering and amending pension plans, retirement savings plans, and other similar plans. In 2001-2002, we processed 1,282 pension plan registration requests, 10,629 pension plan amendments, and 3,979 registration and amendment requests for retirement savings plans (RSP) and registered retirement income funds (RIF). As shown in "Attachment 2: Service Standards in Tax Services" on page 66, we exceeded our service standard for reviewing 80% of registered pension plans within 180 days, with an actual performance of 89%. Overall, we mostly met our service standards in processing RSP and RIF applications.

The CCRA also administers a national program to register charities under the *Income Tax Act*. In 2001-2002, we processed approximately 79,000 charities returns, compared to about 78,000 in 2000-2001. We made improvements to our initial screening and review processes to streamline the workflows, which successfully enabled us to lower the backlog of applications for charitable registrations. While we do not have service standards, we try to meet our target of responding to 90% of telephone enquiries from charities and the public within two minutes. Last year, we responded to 94% of enquiries within this timeframe, exceeding our target.



Tax Services

III. Fairness initiatives

We strive to treat taxpayers fairly and consistently. Below we highlight three areas in which we have initiatives to promote fairness.

Beneficial adjustments – The CCRA aims to ensure that taxpayers pay the correct amount of tax—neither too much nor too little. Fairness demands that we should refund overpayments of tax when we discover that taxpayers have reported more than they truly owe, just as we assess additional taxes when we find that they have erroneously understated their obligations. To implement this basic principle of fairness, we use computer-based error-checking routines at the return-processing stage to identify and correct returns before we assess them. Although statistics on the frequency and magnitude of adjustments made through this process are not available, numerous changes are made on behalf of taxpayers who have reported too much or who have not taken advantage of adjustments to which they are entitled. At a later stage, we compare reported amounts for specific deductions against third-party information under our T1 Matching Program. Through this process, we identify taxpayers who have understated the amount withheld as source deductions (income tax deducted, employment insurance premiums, Canada Pension Plan contributions, union dues, etc.) by their employers on their T1 return and overpaid their taxes as a result. In 2001-2002, we refunded approximately \$58 million to 216,000 Canadians who made this type of error. Through our Matching Redesign Initiative, we are planning to expand beneficial adjustments to other types of taxpayer errors for implementation after 2004.

Cancellation and waivers of penalties and interest – A second principle that guides our efforts to ensure the fair treatment of taxpayers is that the decisions we make on cancelling and waiving penalties and interest, as allowed under the *Income Tax Act*, must be transparent and consistently applied. Fairness provisions allow us to help clients resolve problems that arise through no fault of their own. They also allow us to use a common-sense approach in dealing with clients who, because of personal misfortune or circumstances beyond their control, are unable to meet our guidelines or comply with the legislation we administer.

In 2001-2002, the CCRA approved 59,797 (agency-wide) client requests for cancelling interest and penalties, out of a total of 91,995 requests. The CCRA received a further 16,163 (agency-wide) requests for waiving interest and penalties before they were assessed. In total, including automated waivers that apply in limited circumstances, an estimated amount of \$245 million was either cancelled or waived and was attributable to the tax services business line. We met our 4-6 week service standard for processing requests for these cancellations and waivers. We initiated a review of our fairness registry, which tracks requests and decisions relating to cancellations of interest and penalty assessments, but have yet to institute a systematic fairness monitoring program across the CCRA to provide greater assurance of consistency of treatment. Our current efforts to ensure the consistent treatment of taxpayers include providing our officers with tools and guidelines, supported by Fairness Committees at most tax services offices. If a client disagrees with our decision, an independent second review of his or her request will be conducted.

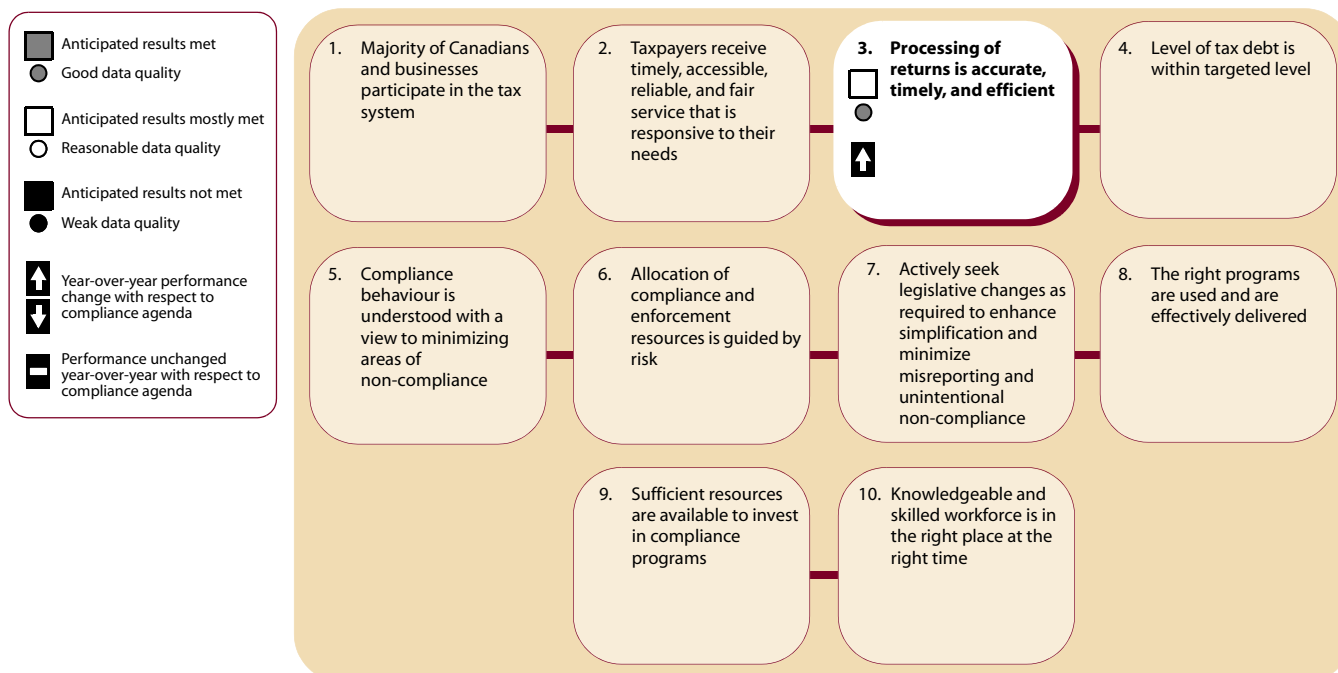
Rulings and interpretations – A third principle that guides our efforts to ensure fairness is that, where possible, clients should have an opportunity to understand the likely implications of relevant legislative measures for their tax liabilities. One way in which we attempt to clarify the impact of legislation is through advance income tax and GST/HST rulings and interpretations, which inform our clients as to how the CCRA will interpret legislative measures with respect to specific transactions or circumstances. In 2001-2002, we provided 2,735 income tax interpretations and responded to 20,652 telephone enquiries. We provided 307 income tax rulings, with an average turnaround time of less than 66 days – somewhat longer than our service standard of 60 days. For GST/HST, we provided 3,724 written interpretations and rulings and responded to 132,868 telephone enquiries.

Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 3



Conclusion

We believe that our processing of returns for individual taxpayers is accurate, timely, and efficient. Although our performance in terms of timeliness declined for corporate tax returns, we were able to dramatically reduce our inventory of unassessed returns from last year, laying the foundation for more timely processing in future years. Our timeliness in processing T3 trust returns has also declined. Our timeliness in processing GST/HST returns improved from 2000-2001 and is now close to our service standard.

Success Criteria

Our processing times meet or exceed service standards and internal performance standards while maintaining a high degree of accuracy.

Increased participation in electronic filing, resulting in improved timeliness, accuracy, and efficiency of returns processing.

Highlights

Taxpayers are entitled to expect accurate, efficient, and timely processing of their returns. We met our standards for timeliness in all but two major return categories. The two exceptions were T2 corporate and T3 trust returns. In addition, we have continued to develop and market our electronic filing options, which combine cost-effective service with improved delivery.



Tax Services

I. Individual and trust returns

Individual returns – Each year, the CCRA faces the challenge of processing large volumes of T1 returns for individuals in a timely and efficient manner, despite legislative changes that are often extensive. For the 2001 tax year, we implemented wide-ranging changes to our systems, processes, and publications to accommodate the introduction of Tax on Income (TONI) for all remaining provinces and territories except Quebec. In the prior year, TONI changes were introduced for British Columbia, Manitoba, New Brunswick, Nova Scotia, and Ontario.

In addition to successfully implementing the TONI changes, we exceeded our "mission-critical" target for processing, by mid-June, 98% of all T1 returns that were filed by the April 30 deadline. Meeting this target is vital to ensuring that income-related information for roughly 10 million Canadian individuals and families who receive GST/HST credits and/or Canada Child Tax Benefit payments can be updated by the start of the new benefit year in July. We actually processed 99.8% of these returns by the target date, surpassing our already strong performance in prior years. Our Annual Survey indicates that an estimated 85% of taxpayers were either somewhat or very satisfied with the time it took to receive their notice of assessment or refund.

Despite increasing complexity and workload volumes, the rate of error in processing T1 returns remains relatively low. The T1 Quality Evaluation Program measures errors at the initial assessing stage for a random sample of processed paper T1 returns. About 1.15% had a processing error that affected the amount of tax in 2001-2002, compared to an error rate of 3.1% the year before.

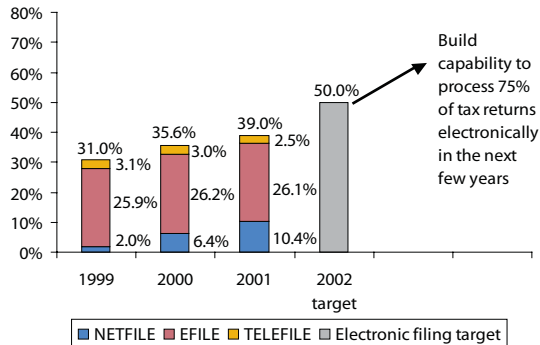
An important part of our strategy to improve the timeliness, accuracy, and efficiency of returns processing is to encourage greater participation in electronic filing. Today, nearly all Canadians have the option of filing a return using one of three different electronic methods—via an electronic service provider (EFILE); by telephone (TELEFILE); or over the Internet (NETFILE). These electronic methods result in faster, more efficient, and more accurate processing of returns. The average processing time for electronic returns last year was under two weeks, slightly exceeding our service standard. In contrast, the average paper return took nearly four weeks to process, which more than met our 4-6 week service standard. In addition to faster service, there are other benefits to electronic filing:

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

As illustrated in Exhibit 12, electronic filing has continued to grow in popularity. For the 2001 tax year, 39% of all T1 returns were filed electronically, compared to 35.6% for the year before. Most of the growth in participation was attributable to the NETFILE service, which experienced an increase of approximately 1 million returns (66%) from the year before. We are in the process of developing a strategy for further increasing electronic filing participation, including building our capability to process 75% of returns filed electronically in the next few years. A key element of this strategy involves encouraging individuals and tax preparers, who mail roughly six million computer-generated T1 returns each year, to send them via electronic means instead.

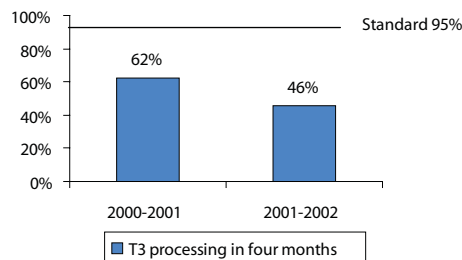
Tax Services

Exhibit 12: T1 Returns – Trend in Electronic Methods of Filing



Trust returns – Our timeliness in processing T3 trust returns in four months declined from 62% in 2000-2001 to 46% in 2001-2002 (Exhibit 13). This is well below our service standard of processing 95% of all returns within four months. Enhancements to our T3 processing system have been carried out to streamline the processing of these returns and improve performance in subsequent years. As well, a new system for automating the printing of T3 assessment notices was developed and will be implemented next year.

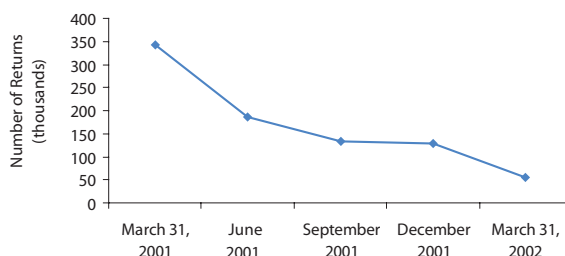
Exhibit 13: T3 Returns Processing – Performance Against Service Standard



II. Business returns

Corporate returns – In the corporate returns area, due to unanticipated problems with the introduction of our new corporate processing system, we faced a considerable challenge this year in addressing a substantial backlog of unassessed T2 returns from 2000-2001. We successfully met the challenge, dramatically reducing our inventory from 342,061 returns at the beginning of the year to an acceptable level of 55,616 returns by year-end (Exhibit 14). With much of our resources devoted to clearing the backlog, we were unable to meet our revised standard for T2 processing this year (Exhibit 15). However, we have laid the foundation for more timely processing. Indeed, processing times had already improved sharply by year-end, although we still could not meet our service standards.

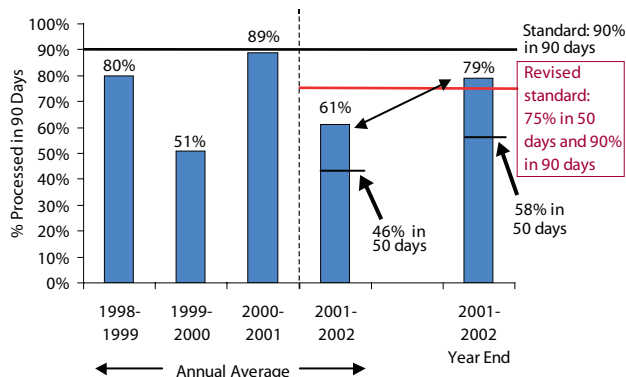
Exhibit 14: T2 Tax Returns Inventory – Trend Through 2001-2002





Tax Services

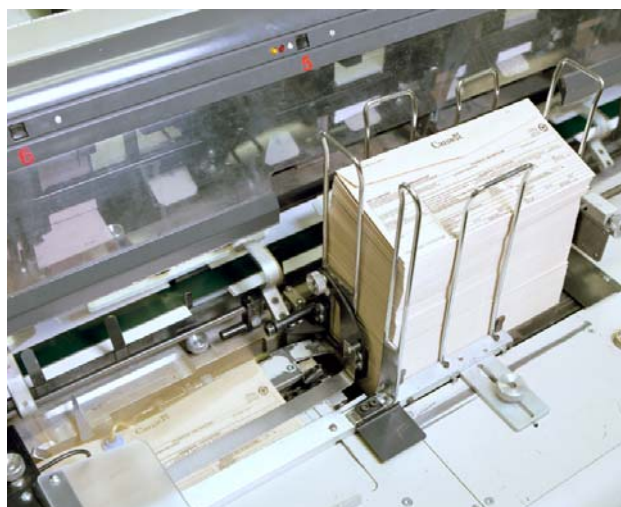
Exhibit 15: T2 Returns Processing – Performance Against Service Standard(s)



Last year, we reported that we would be introducing a new standard of processing 85% of returns in 25 days and the balance in 50 days. This service standard was set prior to the full implementation of our new corporate processing system. After a full year of experience, we have revised the standard in line with the complexity of the workload. The revised standard is to process 75% of returns in 50 days and 90% in 90 days.

Although our new processing system has not yet produced the anticipated improvement in processing times, it has significantly improved the availability of data for use by Statistics Canada, the Department of Finance, and CCRA programs. In addition, it contains a multitude of checks and cross-checks to ensure that returns are processed accurately. In the majority of cases, errors identified by the system are automatically corrected. For those errors that need to be reviewed by an assessor before correction, a quality assurance process is in place to ensure that the adjustments made by the assessor are appropriate and complete. Over 99% of the cases reviewed under this process in 2001-2002 were handled properly.

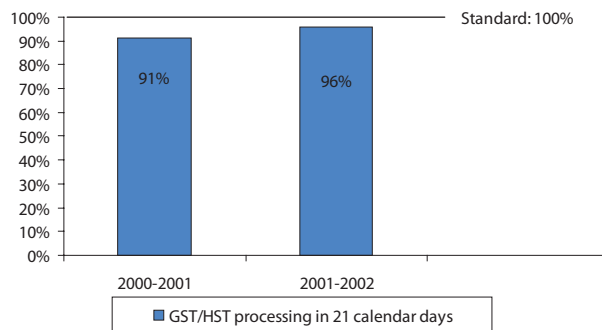
GST/HST returns – Our performance in processing GST/HST returns has improved. It is now close to (within four percentage points of) our service standard of processing 100% of returns within 21 days. We have determined, based on past experience, that our 100% target is not realistic, because some returns require special processing and verification, which delays their completion. We are in the process of conducting a review to determine a more appropriate target.



Tax Services

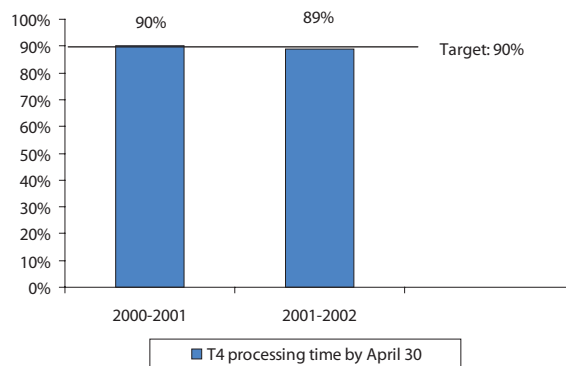
As with individual returns, a key element of our service strategy for improving timeliness, accuracy, and efficiency is the introduction of electronic filing options. GST/HST TELEFILE was implemented nationally in April 2001. Approximately 17% of all eligible nil and credit returns were filed using this service. GST/HST NETFILE was introduced in Atlantic Canada in April 2002, on time and within budget.

Exhibit 16: GST/HST Returns Processing – Performance Against Service Standard



T4 slips – We mostly met our target for processing 90% of all T4 information slips by April 30. T4 Internet filing was implemented on schedule this year for employers who file 70 or fewer information slips. So far, only 30,000 returns have been filed using this method. Most filers use commercial software for their payroll and to prepare their return for filing. Perhaps they are hesitant to use the new filing option, which is not yet compatible with their software. We plan to provide a transfer from commercial software products to encourage these users to take advantage of Internet filing.

Exhibit 17: T4 Returns Processing – Performance Against Internal Performance Standard



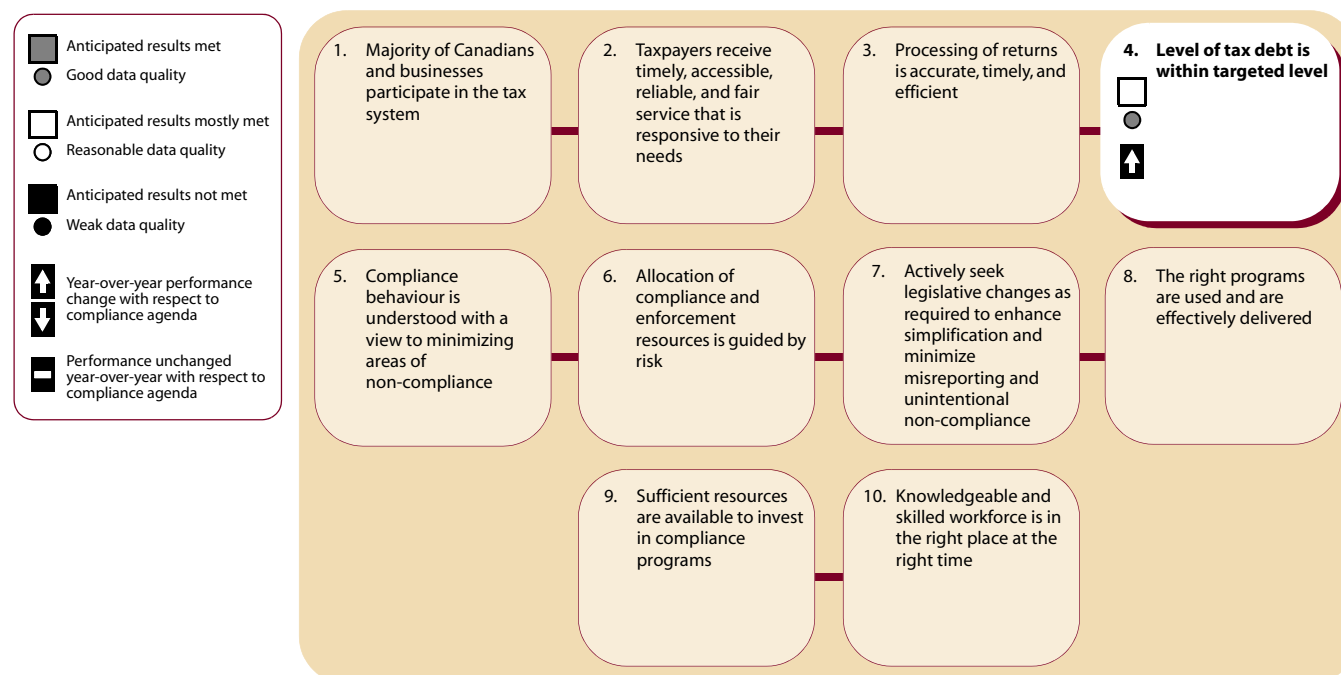


Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 4



Conclusion

With the aid of new funding, we were able to limit, but not contain, the growth in accounts receivable. We exceeded our cash collection commitment. However, accounts receivable as a percentage of gross revenues increased from 4.72% in 2000-2001 to 5.34% this year. This was largely due to an unusually high intake of new debt. As part of our new framework for risk assessment and workload management, we are introducing several new performance indicators for accounts receivable.

Success Criteria

Cash collections meet or exceed government expectations for additional funding.
 Reduction in the age of accounts receivable inventory.
 Dollar value of production meets or exceeds intake of new debt.
 Stability in the ratio of outstanding receivables to gross revenues (preventing further deterioration).

Highlights

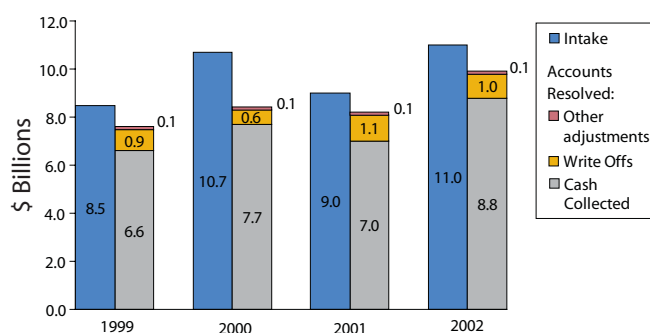
The primary role of our accounts receivable program is to ensure that taxes that have been assessed and are not in dispute are actually paid in a timely manner. Approximately 19.6% of the 2001-2002 Tax Services budget (\$363 million) is devoted to revenue collection activities. This includes additional funding provided to curb the year-to-year growth in accounts receivable.

Tax Services

Our Collections Call Centre, established in 1997, handles a high volume of outbound calls and makes payment arrangements for low-risk personal income tax (T1) and GST/HST accounts. In 2001-2002, our call centre agents placed and answered over two million telephone calls, resolved over 440,000 accounts, and negotiated over \$1.3 billion in payment arrangements. Complex collections, write-offs, and compliance functions are handled by our tax services offices (TSOs).

As shown in Exhibit 18, the intake of new accounts receivable in our TSOs this year was unusually high (\$11.0 billion, compared to \$9.0 billion in 2000-2001 and \$9.3 billion the year before). The high level of intake was due in part to the clearing of outstanding inventories of unassessed corporate tax returns from the year before, and in part to more effective enforcement of filing and registration requirements by the Non-filer/Non-registrant Program.

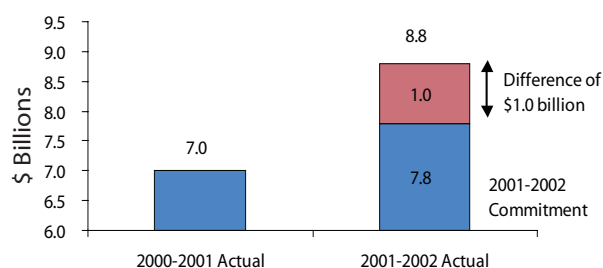
Exhibit 18: Tax Services Offices Collection Activity – Intake and Production* (\$billions)



*production = cash collections, write-offs and other adjustments

The total production by our Tax Services collection agents included \$8.8 billion in cash collections (exceeding our cash collection commitment of \$7.8 billion, by \$1.0 billion or 12.8%—Exhibit 19) and \$1.0 billion in write-offs of amounts that we could not collect.

Exhibit 19: Tax Services Offices Cash Collections (\$billions)



With intake exceeding production, our inventory of accounts receivable grew to \$15.9 billion (5.34% of gross revenues) from \$13.9 billion (4.72% of gross revenues) in 2000-2001 (Exhibit 20). We succeeded, through additional resources and enhanced program delivery, in limiting the rate of growth to a level that otherwise would have been higher. It is estimated that without this funding, the inventory of accounts receivable would have grown to \$35 billion by 2005-2006.



Tax Services

Exhibit 20: Trend in Accounts Receivable (\$billions)

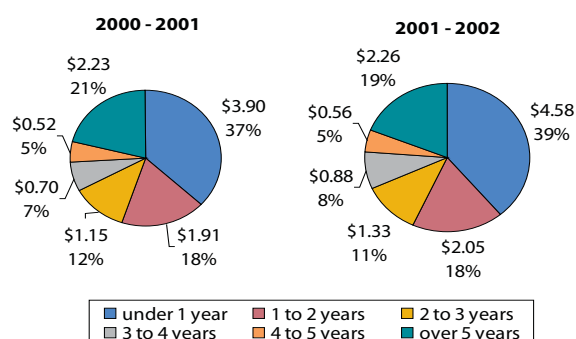
Tax Revenue Receivables	Volume for 1999-2000	Volume for 2000-2001	Percentage Increase	Volume for 2001-2002	Percentage Increase
Gross revenues	274.5	295.8	7.8%	300.8	1.7%
Accounts receivable;					
Personal	7.0	7.3	4.3%	8.5	16.4%
Corporation	1.8	2.1	16.7%	2.6	23.8%
GST/HST	3.4	3.5	2.9%	3.7	5.7%
Non-resident and other	0.8	1.0	25.0%	1.1	10.0%
Total tax revenues receivable	13.0	13.9	6.9%	15.9	14.4%
Percentage of gross revenues*	4.74%	4.72%	-0.02% points	5.34%	0.62% points

*Prior years restated as per Public Accounts

Our most significant challenge is to reduce the gap between our annual production and the steady increase in intake of new debt every year. In particular, the ratio of outstanding receivables to gross revenues continues to deteriorate, as we are not able to keep pace with intake. The CCRA does not use this ratio as a performance target, but it is nevertheless a meaningful trend indicator of the global performance of the accounts receivable program.

We are developing a multi-faceted strategy to address the level of inventory. In addition to the investment of new resources to address volume growth and to work older accounts, the strategy calls for a new program focus on accountability to manage inventory growth in the TSOs and a more effective resource utilization process to enhance productivity. In the future, we intend to allocate cases based on potential risk, client profile, predicted complexity, and national workload management, instead of allocating them based on their geographic distribution as we have done until now. These initiatives will allow for more timely action, better use of human resources and will improve efficiency.

Exhibit 21: Tax Services Offices* Aging of Accounts Receivable (\$billions)



* TSO inventory excludes high-volume low-risk accounts handled by the Collections Call Centre.

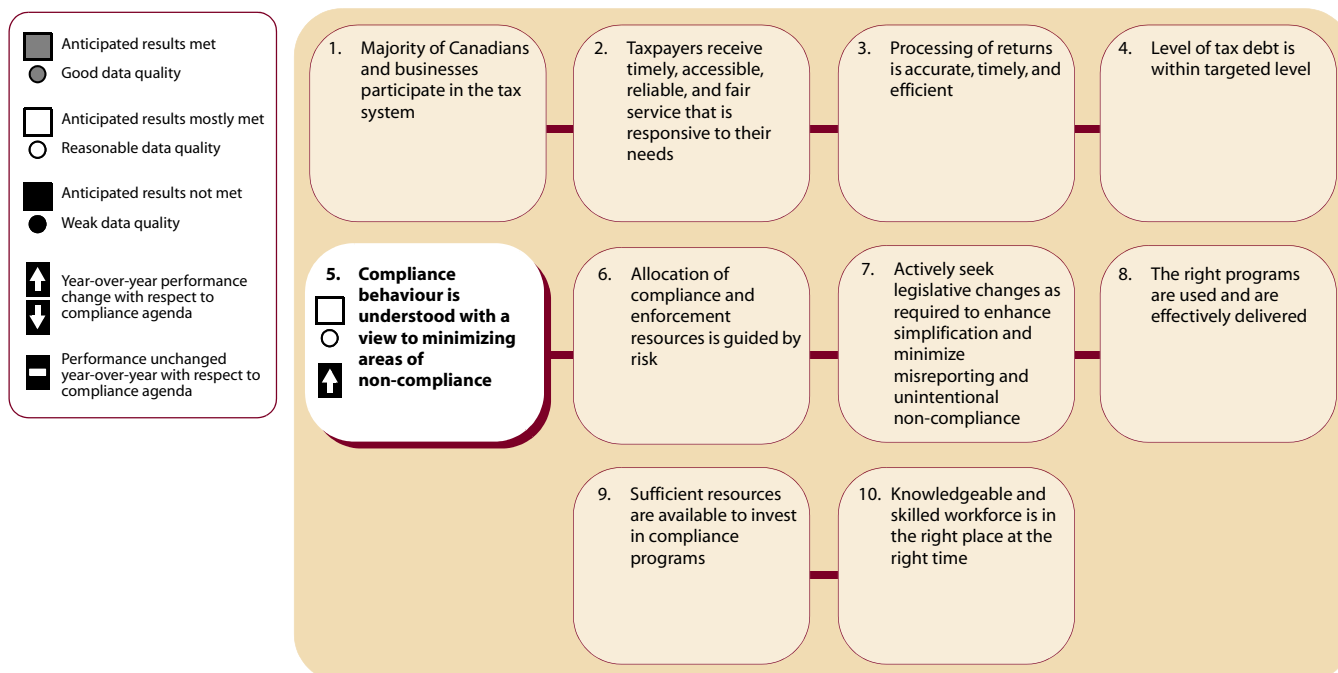
We continue to make progress in working older accounts. As a result of enhanced collections at the TSO level, in particular, the percentage of the value of accounts receivable less than a year old in the TSOs, increased by 2%, with a corresponding decrease in the percentage of the value of accounts receivable over five years old. Parliament has approved resources for a three-year period, commencing in fiscal year 2002-2003, to further reduce our inventory of older accounts.

Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 5



Conclusion

We have made further improvements in measuring tax non-compliance risks and understanding their underlying causes. Although our current risk assessment systems do not cover all reporting compliance issues, our qualitative assessment based on our experience and guided by available evidence and estimates is that non-compliance generally remains at relatively low levels.

Success Criteria

Prompt analysis and reporting of compliance behaviour to assist in the development, refinement, and targeting of compliance programs.

Highlights

Measuring tax non-compliance and understanding its underlying causes is an extremely challenging but important task for revenue agencies worldwide. In 2001-2002, the CCRA initiated a new framework for enhancing our knowledge of compliance and a proposed action plan for its implementation. The framework, which is based on establishing a comprehensive basket of compliance indicators, will provide a more structured approach to assessing compliance risks and will enable the CCRA to:

- develop a clearer understanding of compliance trends;
- integrate and take full advantage of results from investments in random verification and enforcement activities to improve our knowledge of compliance; and
- develop and refine compliance strategies.



Tax Services

Our plan calls for the construction of a comprehensive set of compliance indicators that will portray the compliance landscape both from a high-level perspective and at a more detailed level. These indicators will address the different forms that non-compliance can take (e.g., filing, registration, reporting, and remittance), as well as the unique compliance issues faced by different client groups. In 2002-2003, further consultations will be undertaken to finalize the framework and to begin its implementation.

One element of the planned framework is a set of broad, macro-economic indicators for understanding the general context of compliance trends and gauging the overall integrity of the tax base. An example of such an indicator is the relationship between net GST/HST revenues collected and the level of expenditure on domestically produced goods and services. In the event of a substantial deterioration in GST/HST compliance, over time, one would normally expect to observe a widening gap between the overall level of consumer expenditures and net GST/HST receipts. However, a review of the data provides no evidence of such a pattern. Net GST/HST revenues continue to track domestic expenditures rather closely. We have observed similar tracking with respect to changes in import levels, providing no indication at the macro level of a substantive shift over time in the level of GST/HST compliance.

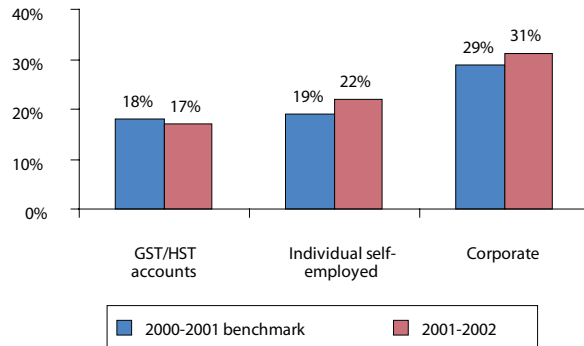
Exhibit 22: Our basket of compliance indicators

Our basket of compliance indicators will include:	
1. Macro indicators	To identify general trends in compliance by comparing CCRA data with relevant socio-economic data.
2. Non-compliance estimates	To produce estimates of non-compliance in selected population segments from the results of random sample compliance verifications.
3. Analyses of risk factors	To monitor trends in non-compliance through analyses of annual changes in risk assessment profiles.
4. Public opinions	To understand public attitudes toward compliance and the public's satisfaction with the CCRA's performance, through periodic surveys.
5. Evaluation results	To gauge the results of program strategies and initiatives through the use of a variety of qualitative and quantitative research methods.

The broad macro-economic indicators of compliance will be supplemented in our framework by estimates developed through our national risk assessment system. This system integrates a variety of sources of data identified as relevant for assessing the risk of non-compliance associated with a given taxpayer. To assess the potential for non-compliance, this information is coupled with a knowledge base derived from the experiences of audit specialists across Canada. Although the system does not comprehensively address all compliance issues, it is capable of producing broad estimates of the percentage of client accounts with a substantive risk of non-compliance. Our experience suggests that non-compliance is most prevalent in our business tax lines. The estimated percentage of accounts with a substantive risk of non-compliance has remained fairly stable since 2000, with slight increases for both corporate and individual self-employed accounts and a marginal decrease for GST/HST accounts (Exhibit 23). These changes can largely be accounted for by the ongoing identification of new issues of non-compliance and their inclusion in the national risk assessment system.

Tax Services

Exhibit 23: Broad Estimates of the Percentage of Business Accounts with a Substantive Risk of Non-compliance



The CCRA's framework will also contain direct measures of non-compliance rates generated through our random verification and audit programs. In the individual income tax area, an example is the rate of non-compliance on various credit and deduction items estimated through our Processing Review Program. As part of this program, amounts reported for selected credit and deduction items are verified in a random sample of individual income tax returns, and the results are used to estimate the rates of non-compliance on these items in the general return population.

While compliance on T1 credit and deduction items as a whole is relatively stable at a high level (92.8%), some items do show a decisive trend. For example, the adjustment rate on randomly selected claims for the employee stock option deduction has increased in recent years. To address this trend, we have increased the number of reviews of claims for this deduction from about 14% of the claim population in the 2001 program, to nearly 20% of the population in the 2002 program, and we have taken steps to more effectively target non-compliant claims. In addition to adjusting coverage rates in response to observed trends, we communicate with clients to reduce the number of improper claims.

Within the employer community, the non-compliance rate is about 4.46%. Risk models are being enhanced to further assist in identifying potential non-compliance.

In the areas of business returns (i.e., income tax and GST/HST), we use statistical sampling methods to select businesses within the populations of individual self-employed and corporate income tax filers, as well as GST/HST accounts. By auditing randomly selected accounts, we produce statistically valid measures of non-compliance for the selected group. These rates provide us with a baseline for assessing compliance trends over time. In 1999-2000, the Core Audit Program focused on a random sample of unincorporated businesses and self-employed taxpayers from the business service sectors. An analysis of this data led to 11 recommendations for developing or enhancing audit issues to increase the effectiveness of our risk assessment systems. We are currently in the process of developing additional compliance rate estimates for the GST/HST, corporate, and individual self-employed populations from our more recent Core Audit Program initiatives.



Tax Services

We also anticipate including, within our compliance framework, indicators of client awareness and attitudes towards non-compliance. During the past two years, the CCRA has asked a series of questions about attitudes and perceptions of non-compliance on its Annual Survey. Estimates based on the 2001 survey indicate that:

- 75% of respondents agree that because some people cheat on their taxes, other taxpayers have to pay more;
- 71% of respondents say that to discourage cheating, the CCRA should increase the use of audits and penalties; and
- 68% of respondents believe it is likely that tax cheaters will be caught.

The above percentages are somewhat higher than those for the previous year. Taken together, the results appear to indicate that a majority of taxpayers understand the importance of tax collections and are in favour of the CCRA's efforts to encourage all individuals to pay their fair share. Such findings help the CCRA better understand the public opinion environment in which CCRA programs and services are designed and delivered.

In addition to developing measures of compliance rates and attitudes, the CCRA continuously strives to better understand the nature, issues, and underlying causes of non-compliance. In our 2000-2001 Performance Report, we noted that 30 key issues of corporate non-compliance were identified by a team of audit specialists in 2000. In 2001, financial statement information was integrated into the CCRA's national risk assessment systems in order to successfully implement new non-compliance identification criteria for two of the key issues: (i) excessive claims for travel expenses; and (ii) improper reporting of debts that may have been forgiven by creditors. Work will continue in 2002 to implement, where feasible, new identification criteria relating to other key corporate non-compliance issues.

In 2001, a separate team of audit specialists was assembled to improve the CCRA's capacity to assess GST/HST compliance risks. More than 30 new key issues of non-compliance were identified, and the development of non-compliance detection criteria for several of these issues is expected to be completed in 2002.

We continue to work closely with industry associations to improve our mutual understanding of compliance issues within specific industries. As a follow-up to the work of our health services specialist with the Canadian Health Care Association, audits of eight hospitals were commenced in 2001-2002.

The Foreign Reporting Requirements (FRR) legislation enacted in April 1997 reinforced the federal government's commitment to preserving the integrity of the Canadian income tax base, particularly with respect to Canadians' use of tax havens. The intent was to promote voluntary compliance and to provide tax authorities with improved information about Canadians' offshore investments. To date, the FRR have led to the discovery of some systematic and well organized schemes to evade taxes on foreign-source income.

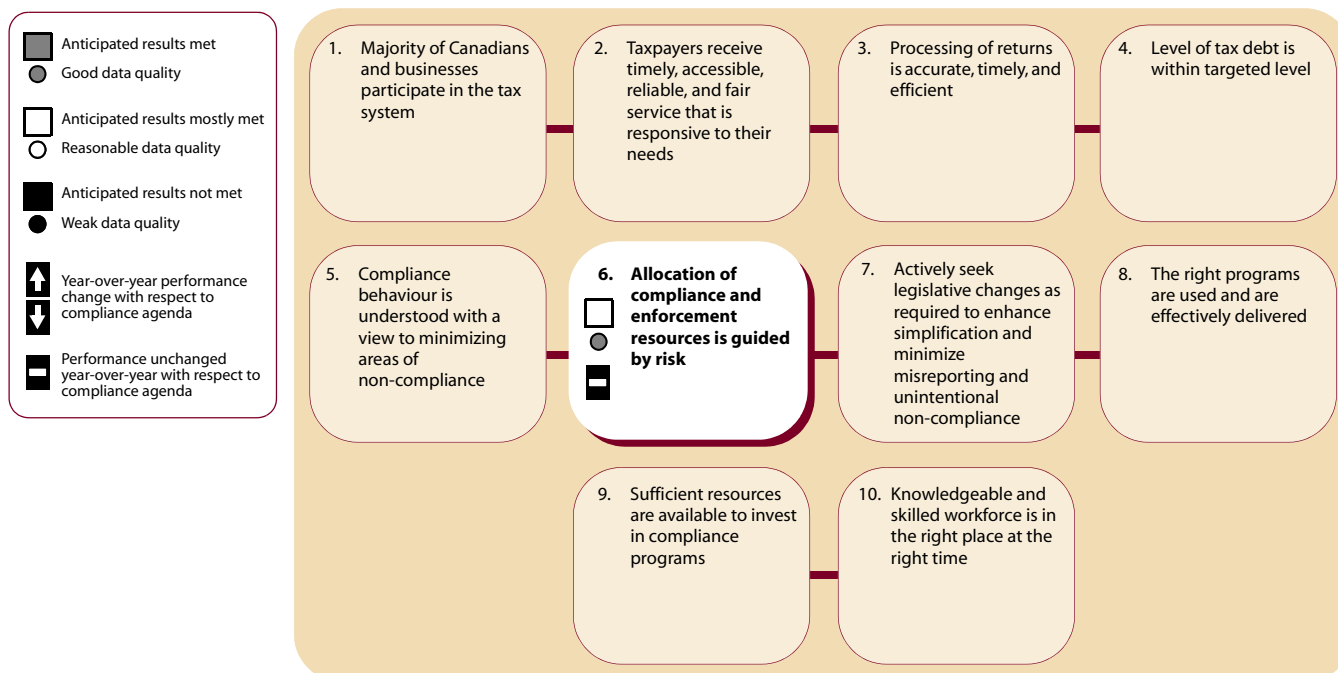
Although our current risk assessment systems do not cover all reporting compliance issues, our qualitative assessment based on our experience and guided by available evidence and estimates is that non-compliance generally remains at relatively low levels.

Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 6



Conclusion

We believe our risk assessment systems continue to be generally effective in identifying higher risk returns for verification and enforcement within individual review and enforcement activities. We still need to improve our capacity to effectively allocate resources across the spectrum of these activities according to risk. As well, we need to establish clear standards against which our measures of targeting performance can be evaluated.

Success Criteria

Our information matching programs permit us to effectively identify discrepancies between amounts reported on tax returns and third-party information reports. A comparison of our targeted and random compliance activities reveals that targeting is effective.

Highlights

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



Tax Services

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

As a result, compliance rates tend to be high on income and deduction sources covered under the T1 Matching Program. For example, about 2% of returns required adjustments to reported wages and salaries in 2001-2002—the same percentage as last year. When taxpayers do make reporting errors, the program allows us to efficiently target their returns for review. During 2001-2002, we reviewed 1.3 million returns with apparent discrepancies that resulted in too little tax reported, yielding \$449 million in additional tax assessments—an increase of \$71 million (or 18.8%) from the year before. In addition, the beneficial adjustments portion of the T1 Matching Program corrected over \$57.9 million in tax overpayments on 215,944 returns—a slight increase over the \$56.2 million corrected during the year before.

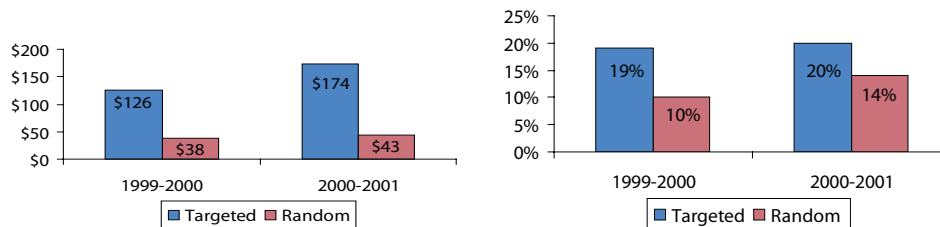
The T1 Matching Program is currently undergoing a complete process re-engineering that will enhance its efficiency and capabilities in conducting both its income verification routines and its beneficial client adjustment routines.

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

A portion of the returns selected for verification under the Processing Review Program is sampled at random. The results from these random reviews are then employed to evaluate and refine our selection criteria for the targeted reviews conducted under both the Confidence Validity and Processing Review programs. A comparison of the results of our random and targeted reviews for 2000-2001 indicates that our targeting criteria are reasonably effective (Exhibit 24). Overall, targeted returns continue to show higher adjustment rates and average-dollar adjustment amounts compared to random returns. For those credit and deduction items subject to both random and targeted reviews, the adjustment rate for our targeted reviews was almost one and a half times higher than the adjustment rate for the random reviews (20% compared to 14%). This represents a decline in relative performance from last year, when the adjustment rate for targeted reviews was nearly twice as high as the rate for random reviews (19% compared to 10%). Although the relative adjustment rate declined, our targeting performance in terms of average-dollar assessments actually improved over this period. In 1999-2000, the average assessment from the targeted reviews was \$126, which was 3.3 times larger than the average assessment (\$38) from random reviews. In 2000-2001, the average assessment from targeted reviews grew to \$174, or four times larger than the average assessment (\$43) from random reviews. Overall, our selection criteria continue to be effective in targeting high-risk returns for review. However, we need to develop clear targets against which to measure our performance.

Tax Services

Exhibit 24: Targeted vs. Random Average Dollar Adjustment Rate and Adjustment Rate for T1 Validation Programs



The results indicate that the average adjustment from reviews performed under the Confidence Validity Program was \$350 in 2000-2001, compared to \$137 for targeted reviews under Processing Review Program. This suggests our criteria for selecting the most risky or suspicious returns for an up-front review are generally effective. Overall, the Processing Review Program yielded \$110.7 million in additional tax assessments in 2000-2001, compared to \$103.5 million in 1999-2000. Correspondingly, additional tax assessments under the Confidence Validity Program grew from \$74.1 million to 83.5 million over this period.

Audits – We perform audits to address more serious cases of tax non-compliance and to discourage future cases of non-compliance. Our audit programs are supported by sophisticated, computerized risk assessment systems that identify and assess non-compliance risks for all individual and corporate income tax filers, as well as all GST/HST accounts. They facilitate the appropriate selection of cases for our audit workload by ranking case files in order of assessed risk. The systems use different types of information to make inferences about non-compliance. Examples include details from financial statements, links between corporations and their shareholders, third-party information slips, historic reporting patterns, previous audit results, and neighbourhood income profiles. Our experienced auditors use these systems in conjunction with their own knowledge to make final decisions about which accounts to target.

As well, we continue to use statistical methods to assess revenue risks and to focus on non-compliance of a material nature. We determine risk by how closely the characteristics of a given file correspond to the characteristics of files known to have had material non-compliance. Although we work to maintain a minimum level of audit coverage among all types of tax returns, high-risk returns are given closer scrutiny when selecting our audit workload, and their coverage rates are significantly higher. A recent analysis of the audits of corporate income tax filers showed that the coverage rate for returns considered to be of high risk was 10 times that of returns considered to be of low risk.

The same analysis relating to audits of corporate income tax filers indicated that the incidence of material tax adjustments was much more prevalent among those taxpayers identified as high-risk than it was among taxpayers identified as low-risk. Moreover, on average, taxpayers identified as high-risk had much larger adjustments.

In 2001-2002, other analyses revealed the same patterns, suggesting that the CCRA's risk assessment systems are generally effective. These studies were also used to identify areas where the national risk assessment systems could be improved. Several recommendations identified as a result of these analyses are being considered for further action in 2002-2003.

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



Tax Services

The Compliance Measurement, Profiling, and Assessment System (COMPASS) allows us to analyze compliance risks by industry sector, geographic area, and other statistical or demographic breakdowns. By testing and validating non-compliance hypotheses, the system improves our capacity to identify and understand non-compliance, and allows us to focus our limited resources on those areas and files associated with the highest risks. In 2001, the COMPASS system was made available to all our tax service offices, as well as regional and Headquarters staff. Compliance information on all 2.6 million GST/HST accounts and all 22 million individual tax filers was made available. The next iteration of COMPASS, which will include compliance information on all 1.3 million corporate income tax filers, is scheduled for completion in 2003-2004.

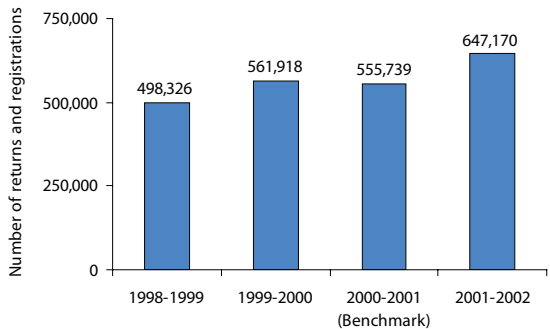
We use a variety of systems and continue to perform a variety of functions to address high-risk areas in international taxation. Our efforts include:

- industry-level analysis of sector-specific risks and issues for possible inclusion in risk assessment systems;
- co-ordination with tax services offices and the International Tax Centre to improve the focus of audits involving high-risk international tax issues;
- special audits in high-risk areas;
- better targeting of enforcement activities towards high-risk areas; and
- improved enforcement procedures.

To help identify risk relating to transfer pricing issues, we have enhanced our information exchanges with other countries and integrated information on foreign reporting requirements into our risk assessment systems.

Filing enforcement – The CCRA uses a variety of data sources to identify non-filers of tax returns and GST non-registrants. We continue to balance our efforts between known and unknown non-filers and non-registrants. Risk scoring models are employed to guide our allocation of compliance and enforcement resources to cases of known non-filers and non-registrants, and strategic analyses by industry sector are used to identify new cases for enforcement action. The Contract Payment Reporting Initiative has resulted in enhanced compliance activity and continues to contribute positively to the CCRA's goals. Renewed efforts in obtaining corporate returns, along with improved assessment tracking, have contributed to a 16.5% increase in the combined number of new registrants and returns achieved through our enforcement efforts (647,170 in 2001-2002, compared to 555,739 in 2000-2001). The fiscal impact of our non-filer and non-registrant enforcement efforts amounted to \$1.37 billion in 2001-2002 (Exhibit 25).

Exhibit 25: Non-filers/Non-registrants – Number of Returns and Registrations

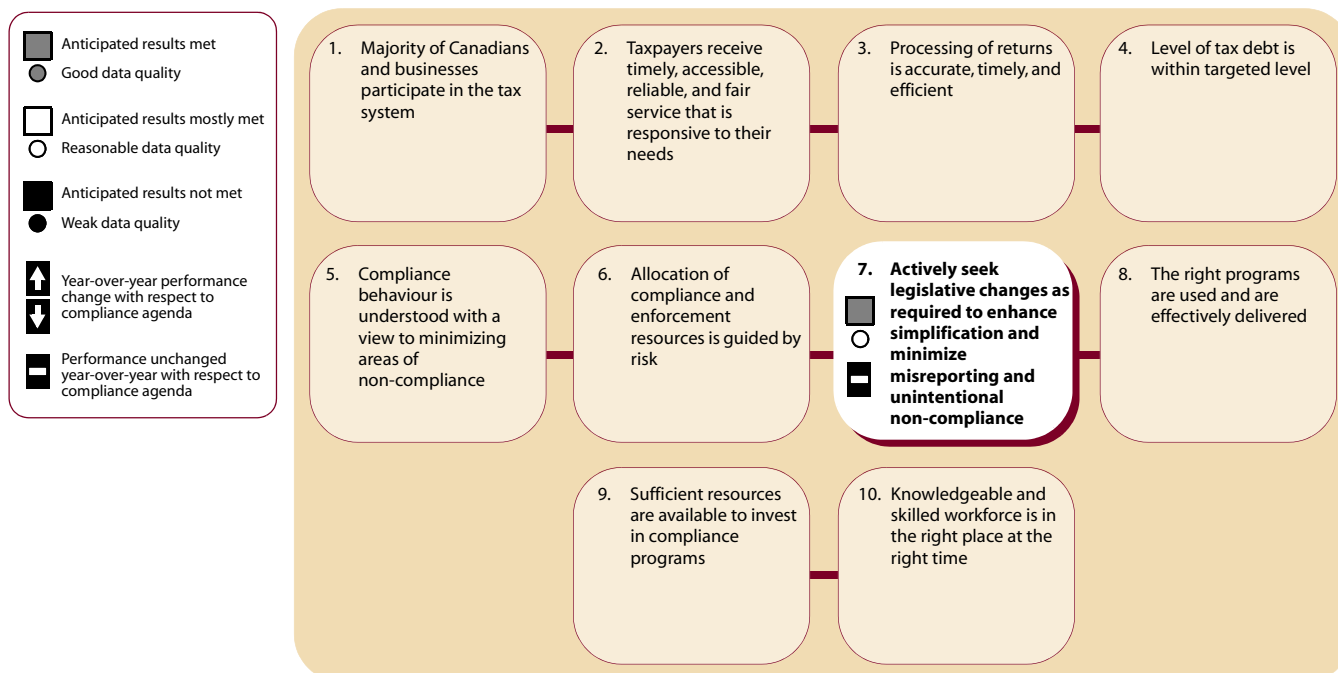


Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 7



Conclusion

We believe that we have continued to be proactive in seeking appropriate legislative changes to ensure simplification and reduce errors.

Success Criteria

Prompt responsiveness in identifying issues and making recommendations for legislative changes to the departments of Finance and Justice, for the Government's attention.

Highlights

While the CCRA's mandate is to administer federal legislation related to tax, trade, and border protection, including the *Income Tax Act*, *Excise Act*, and *Excise Tax Act*, we play an important consultative role in the development of legislation (Exhibit 26). We work with the departments of Finance and Justice to ensure that proper legislative authority exists to realize Parliament's social and fiscal policies and to enable us to promote voluntary compliance.



Tax Services

Exhibit 26: Legislative Policy Development

The CCRA actively participates in the policy development of legislative measures in relation to the following statutes and their regulations:

- *Income Tax Act*
- *Excise Tax Act*
- *Excise Act*
- *Excise Act, 2001*
- Parts IV and VII of the *Employment Insurance Act*
- Part I of the *Canada Pension Plan*
- *Air Travellers Security Charge Act*
- *Charities Registration (Security Information) Act*
- *Children's Special Allowances Act*
- *Tax Rebate Discounting Act*

The scope and variety of legislative issues addressed and resolved in any given year is very much dictated by the priorities of the enacting departments and by the nature of legislative changes. Our work involves the ongoing assessment of the effectiveness of our legislative framework, to ensure that it remains responsive to new and emerging issues that affect compliance.

We continue to reassess the full range of our administrative policies and practices to ensure they are responding to emerging issues and trends. The CCRA's Policy and International Committee reviews new policy guidelines before they are implemented, and policy direction may be validated with client groups. During 2001-2002, we began or continued to work on a review of Indian Settlement Remission Orders, the Aboriginal Strategy, Web publications for Status Indians, and the Forum for Strategic Management Knowledge Exchange (FSMKE) Web site project.

In 2001-2002, we participated in several new legislative initiatives that led to recommendations for changes. This involved participating in the drafting of tobacco tax measures, the air travellers' security charge, and budget measures with respect to apprentice vehicle mechanics' tools, adult basic education tuition assistance, the education tax credit, transfer of assets of managed woodlots, charitable donations of publicly traded securities, GST/HST credit responsiveness, qualified limited partnerships, temporary construction work camps, and deferral of corporation tax instalments for small businesses, among other measures. In addition, we centralized technical applications, industry specialists, and valuation services to ensure proper co-ordination of and consistency in these services.

The CCRA was a key participant in the Government's response to the events of September 11 by helping to draft and subsequently execute our new-found responsibilities under the *Charities Registration (Security Information) Act*. This provides us with the legal framework to use and protect classified information that may tie an organization to terrorist groups.

In 2001-2002, improvements were also made to the *Canada Pension Plan Regulations* and the *Insurable Earnings and Collection of Premiums Regulations* to facilitate their administration and obviate the need for annual amendments. Also during 2001-2002, we developed and implemented significant new or enhanced policies in three key areas. In addition, the *Income Tax Regulations* were amended to update and clarify source deduction rules and to update the list of qualified foreign universities. We also continue to work with the department of Finance on a number of technical amendments to the *Income Tax Act* and the *Excise Tax Act*, to be included in future technical bills.

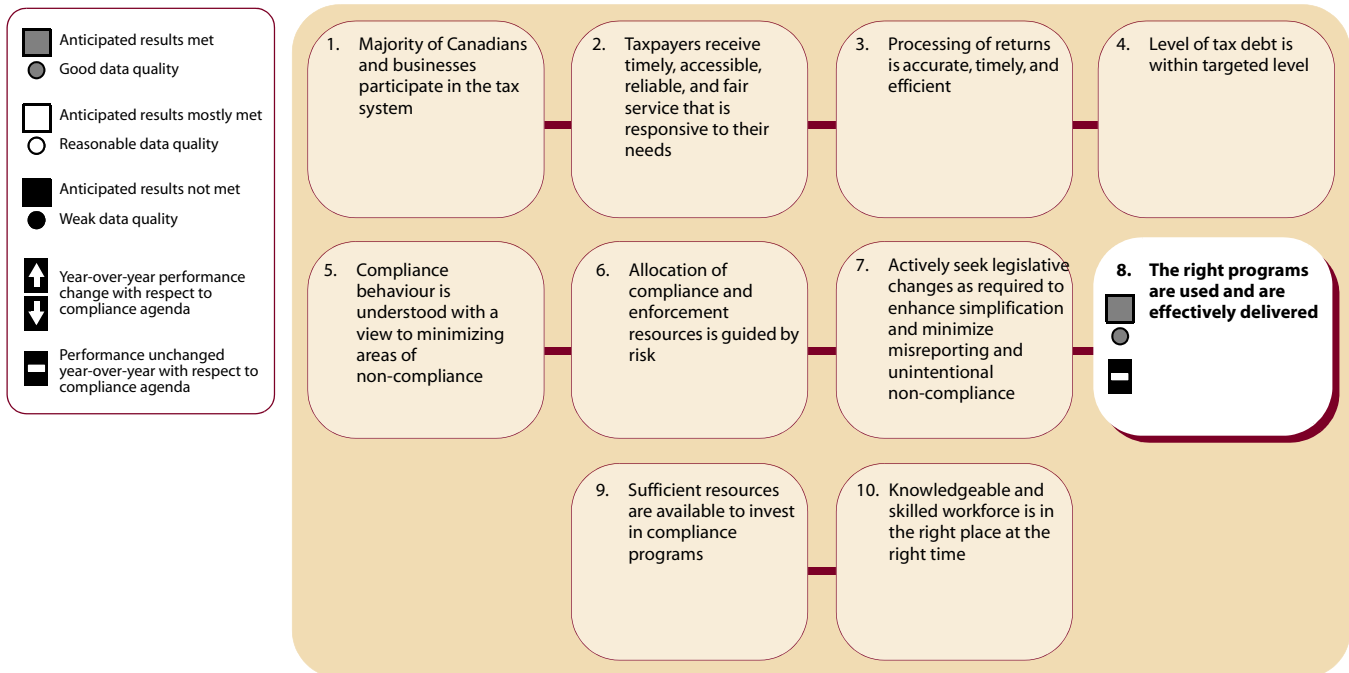
Given the nature of this ongoing workload, no attempt has been made in the past to systematically capture any relevant data. However, we are looking into the feasibility of developing a system for tracking the legislative issues we raise with the departments of Finance and Justice or that are addressed through legislation.

Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 8



Conclusion

We believe that, in addition to providing quality services, we continue to effectively deliver an appropriate mix of programs to protect the tax base, while still promoting voluntary compliance by taxpayers. However, more work is required to improve program delivery for certain key tax credits.

Success Criteria

Meeting or exceeding anticipated fiscal impact levels.
High degree of take-up in audit protocol agreement program.

Highlights

To properly manage the compliance continuum, it is essential to have a range of programs tailored to the needs of specific client groups. To resolve root problems, these programs must be based on a sound understanding of the issues affecting different clients and the reasons underlying their behaviour.

To ensure responsible enforcement, we have mechanisms that promote transparency in what we do and that inform our clients of the breadth of our activities. Depending on the nature of the issue, the appropriate compliance program may involve education, outreach, service, review, enforcement, or a combination of these elements.

Exhibit 29 on page 55 provides a high-level overview of the key compliance issues the CCRA must address within each program area and the primary compliance activities it undertakes to manage them. Our compliance programs are under continual development to address the changing areas of risk that we identify. Below we highlight some of our key programs to address specific client needs.



Tax Services

I. Large corporation audit initiatives

Large corporations often face complex and highly technical compliance issues. Typically, these corporations earn gross revenues in excess of \$250 million, involve many controlled companies and foreign affiliates, and engage in transactions that require highly complex interpretations of the law. Because of the complexity, the technical nature, and the size of the compliance risks in this client group, our goal is to audit each large corporation over a two-year cycle, following a detailed risk assessment. As shown in Exhibit 27, audits were completed on 477 large corporations (54.2%) in 2001-2002. The total fiscal impact of these audits was over \$2 billion, reflecting an average assessment of \$4.2 million per audit. This represents over 30% of the total revenue assessments from all of our compliance programs combined.

Exhibit 27: Large Corporation Audit Coverage and Fiscal Impact in 2001-2002

Number of Large Corporations Audited	Percentage of Large Corporations	Total Fiscal Impact
477	54.2%	\$2,017 million

An issue of growing concern in recent years is the practice of tax avoidance among some large corporations. While it is every taxpayer's right to arrange his or her affairs to pay the least amount of tax the law allows, the term "tax avoidance" refers to arrangements that are contrary to the law and that circumvent its purpose. The large file initiative in the Tax Avoidance Program was introduced in 1998-1999 to increase the coverage of tax avoidance issues in large file cases. To identify and address these issues, a team approach is used involving auditors who specialize in avoidance activities. These avoidance specialists participate in both the planning and the examination stages of the audit. Of the 320 large-file audit cases assigned during 2001-2002, 188 (58.8%) related to potential tax avoidance, compared to only 93 cases in 1998-1999. With the additional funding provided through Resource Review for compliance activities, we plan to further increase coverage under this program to deter abusive avoidance, to protect the revenue base, and to promote fairness.

Given the size and scope of large file audits, large corporations have a need for greater certainty about their ultimate tax liabilities. To address this need and promote compliance, audit protocols have been developed. These protocols form a mutually agreeable framework for the company and the CCRA. They establish guidelines for the audit process to help ensure co-operation, openness, and flexibility. Currently, 206 large file cases are under protocol, compared to 180 cases in 2000-2001. This represents a take-up rate of approximately 30% of all large corporations (including subsidiaries). A survey in the spring of 2000 validated the utility of audit protocols and identified a number of improvements.

Tax Services

II. International tax compliance initiatives

In response to the continuing pressures of rapid growth in foreign trade and electronic commerce, international tax compliance issues have become more prominent in recent years.

A key compliance issue in international transactions is the price that should be reported for cross-border transactions between a corporation and its foreign affiliates. To promote compliance and reduce the burden associated with reporting such transactions, the CCRA has an Advance Pricing Arrangement (APA) Program. Under this program, the CCRA provides advance confirmation of the appropriate transfer pricing methodology to be used for cross-border, non-arm's length transactions. This provides participating corporations with greater certainty about the valuation of such transactions for tax purposes. Although the CCRA has been successful in recent years in completing 30 APAs, program take-up has been below our target of 80. To promote and raise awareness of the APA program, in 2001-2002 the CCRA embarked on an extensive outreach program with such organizations as the International Fiscal Association, the Financial Executives Institute, the Organization for Economic Co-operation and Development, and the Canadian Tax Foundation.

Another important compliance area involves the level of awareness of non-residents and prospective immigrants about their tax obligations and entitlements. During 2001-2002, 10 training sessions hosted by non-profit organizations were held to promote a better understanding of Canadian tax rules and requirements. In addition, statistics show that China has had the highest number of emigrants to Canada in recent years. To better address the needs of Chinese immigrants, our *"Newcomer Brochure"* has recently been published in Chinese (in traditional and simplified scripts).

Due to the increased level of foreign trade and electronic commerce, we have initiated strategic partnerships with tax treaty countries to manage and promote international tax compliance, protecting Canada's tax base and sharing common problems and best practices. Over 100 countries and organizations attended a major international e-commerce conference hosted by the CCRA on behalf of five international tax organizations. Two standing committees, e-compliance and e-service, resulted from this forum. The CCRA will be acting as chair and secretariat for an interim period.

Given that every taxpayer (depending on his or her financial circumstances) has the opportunity to conduct foreign trade, it is critical that taxpayers comply with international tax laws so that high-risk activities such as the creation of tax havens are reduced or eliminated. This can only be accomplished through our strategic alliances in the international tax community. We participate in international fora such as the Organization for Economic Co-operation and Development (OECD), the Pacific Association of Tax Administrators (PATA), the Seven Country Tax Haven Group, and the Centro Interamericano de Administraciones Tributarias (CIAT).

We also participate in several of the OECD's subgroups, such as:

- the Forum on Harmful Tax Practices, whose mandate is to develop and implement a co-ordinated international response to unfair tax practices;
- the OECD Working Party 6, Taxation of Multinational Enterprises, which focuses on tax issues related to multinational enterprises with a concentration on transfer pricing; and
- the OECD Working Party 8, Tax Avoidance and Evasion, which examines compliance issues relating to fiscal degradation and tax competition, controlled foreign companies, bank secrecy, exchange of information, and collection assistance.



Tax Services

The advent of e-commerce has led to the need for enhanced international tax compliance. We are dedicated to improving electronic services to non-resident taxpayers. In 2001-2002 a pre-targeted group of non-resident taxpayers could change their address and phone number on-line using a pre-supplied access code.

III. Underground economy initiatives

The CCRA's underground economy initiative provides a balanced approach to addressing unreported income within the small business community. In a continuing effort to increase our visibility and promote compliance among businesses, we conducted 92 community visits, resulting in contacts with 9,853 businesses during 2001-2002. In addition, under a new visibility effort, we made 84 wharf visits throughout Atlantic Canada to meet with fishers to explain their rights and obligations with respect to taxes.

As part of our underground economy strategy, the CCRA has a Contract Payment Reporting Initiative that uses T4A information slips issued to federal government contractors and subcontractors to identify businesses that fail either to file a tax return or to fully report the income they have earned.

Another compliance area that has been targeted for significant enforcement activity in recent years involves the movement of assets, such as automobiles, through First Nations reserves in an illegal effort to bypass taxation of these products when they are sold in the mainstream economy. During 2001-2002, 129 audits were performed relating to such schemes, resulting in \$26.8 million in assessments.

IV. Fraud investigations

Our Criminal Investigations Program prepares the most flagrant cases of non-compliance for criminal prosecution, seeking both to punish offenders and to deter future cases of fraud and evasion. During 2001-2002, 351 customs and tax investigations involving 458 persons were referred to the Department of Justice for prosecution, an increase of 12% over the number of cases referred during 2000-2001. During the year, prosecutions were finalized on 307 persons, leading to 26 incarcerations, 17 community-service sentences, and \$14.5 million in fines. Customs Investigations also contributed by investigating 494 non-prosecution cases, which resulted in \$49.6 million in customs civil assessments.

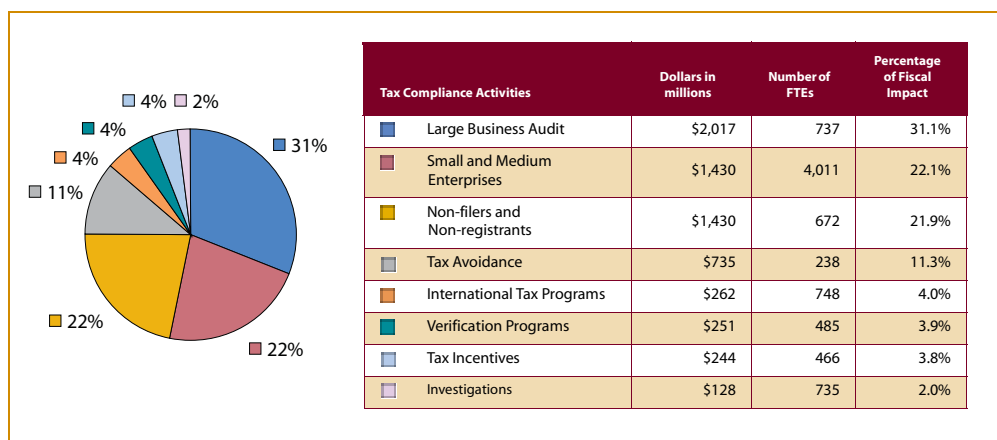
The Special Enforcement Program (SEP) undertakes enforcement activities related to suspected organized crime. An important element of these operations is participation in the RCMP's Integrated Proceeds of Crime Program to forfeit illicit and/or unreported wealth accumulated through criminal activities. Through its enforcement of tax laws and other legislation administered by the CCRA, the SEP has been very successful in dealing with proceeds-of-crime issues in areas where traditional law enforcement has been difficult. In 2001-2002, 686 audits were conducted under the SEP, yielding \$63.5 million in assessments. This represents an increase over 2000-2001, when 624 audits yielded \$48.8 million in assessments.

V. Overall effectiveness of compliance programs

Compliance-related programs help to ensure the integrity of the tax system. One indicator of their effectiveness is the amount of tax revenue that they generate. The overall fiscal impact of our programs (Fig. 8-1) was approximately \$6.5 billion, exceeding our commitment to the Government of Canada of \$6.2 billion by 4.8%. We estimate that approximately 16% of the \$6.5 billion will be subject to appeals and another 6% will be uncollectable, for a net fiscal impact of about \$5 billion. These results reflect the implementation of additional Resource Review funding discussed under Anticipated Result 9. Our compliance measurement framework, identified in section "The Road Ahead" on page 62, will provide the foundation for a more comprehensive analysis of the effectiveness of our various compliance programs.

Tax Services

Exhibit 28: Tax Compliance Activities – 2001-2002 Federal and Provincial Taxes – Total Fiscal Impact of \$6.5 billion



In addition to the above, we assessed \$410 million through the protective-assessments audit program and \$27 million through the employer-compliance audit program.

VI. Delivery of key tax credits

We have also been working to improve the delivery of certain key tax credits. The Scientific Research and Experimental Development (SR&ED) Program is the largest federally supported incentive program for industrial research and development in Canada. Each year under this program, we process approximately 11,000 claims and handle credits of about \$1.5 billion. Both our Headquarters and tax services offices have been reorganized to enhance the consistency and predictability of program delivery.

Our Preclaim Project Review (PCPR) and Account Executive services reflect our commitment to be more responsive to the needs and priorities of Canadian businesses making claims for SR&ED tax incentives, and to assist companies in obtaining the maximum benefits to which they are entitled. The PCPR service provides an up-front review and a preliminary opinion on the eligibility of projects for SR&ED tax incentives. To assist businesses with planning and investment decisions, the service is available before SR&ED tax incentives are claimed, and can even be provided before projects are started. We completed over 700 PCPRs in 2001-2002 and had approximately 250 more in progress at the end of the year. The Account Executive Service provides a central point of contact and guidance for SR&ED claimants and maintains program continuity from one year to the next. By the end of 2001-2002, approximately 760 companies were taking advantage of the Account Executive Service.

Joint CCRA-industry committees continue to work together to address SR&ED issues and develop appropriate guidelines for the SR&ED program. Partnerships are being built and extended with 12 major industry sectors, and seminars and workshops are being conducted to ensure that CCRA staff and industry representatives have a common understanding of guidelines and policies.

As illustrated in "Attachment 2: Service Standards in Tax Services" on page 66, we currently have four service standards in place for SR&ED delivery. Although we made significant strides in improving the timeliness of our delivery in 2001-2002, our performance did not meet our delivery standards.



Tax Services

Like the SR&ED tax credit, the film tax credit is aimed at promoting Canadian growth and job creation, in this case, through film and television production. The CCRA administers related provincial tax credits for British Columbia. We have established film services units, as well as an industry-represented advisory committee, to oversee program delivery and help manage compliance risks. We currently have two service standards in place for film tax credit delivery. Largely as a result of increased program take-up and a higher level of audit coverage, our performance has declined since 2000-2001 and is well below our service delivery standards.

Exhibit 29: Overview of Compliance Program Activities

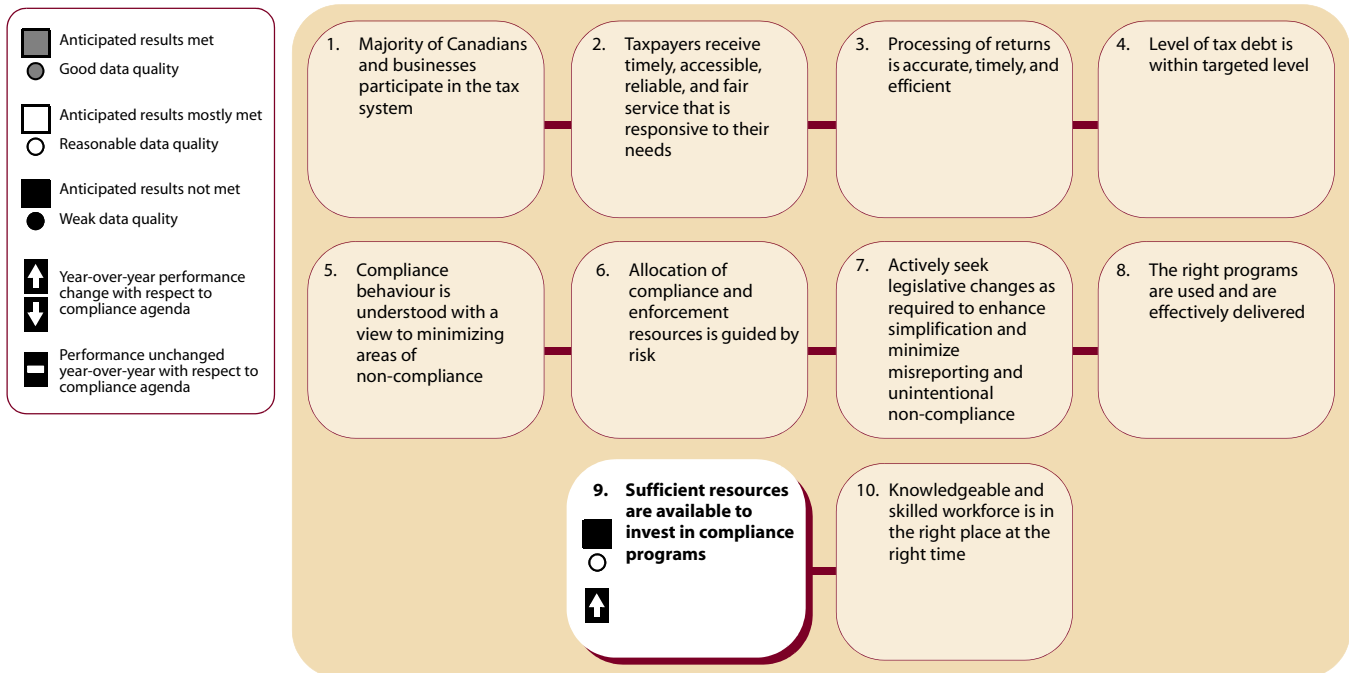
Program Area	Key Compliance Issues	Primary Compliance Activities
Individual income tax	Understated income Overstated deductions and credits Late filings Late payments Evasion and fraud	Matching Validations Outreach Notices Audit Collections Investigations
Small and medium enterprises	Understated revenue Overstated expenses Tax avoidances Late filings Late payments Evasion and fraud	Verification Notices Audit Collections Investigations
Large businesses	Tax avoidance Overstated expenses Late filings Late payments	Audit protocol agreements Real time audits Audit Collections
Employers	Misclassification of employees as self-employed Misreporting of benefits	Review Audit
Charities	Unreported political activities	Review Audit
International	Tax havens Transfer pricing Off-shore trusts Non-resident withholdings Unreported foreign source income	Outreach Advance pricing agreements Foreign source income reportings Audit Investigation
Underground Economy	Unreported proceeds from legal businesses Unreported proceeds from illegal businesses Non-filings Non-registration	Community visits Special enforcement Contract payment reporting Non-filer, non-registrant investigations

Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 9



Conclusion

Although we did not meet all of our audit coverage targets after receiving additional funding from Parliament, the fiscal impact of our programs exceeded the revenue generation commitments we made in relation to the new funding. Further, our investments in training new audit staff position us well to meet our higher audit coverage targets for 2002-2003 to 2004-2005.

Success Criteria

Audit coverage rates meet or exceed target levels.

Fiscal impact of compliance programs meets or exceeds our revenue generation commitments.

Highlights

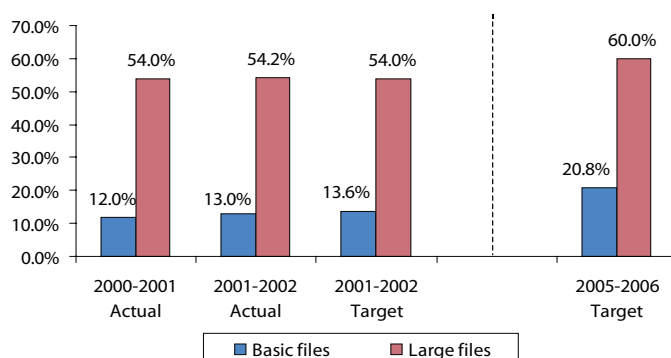
To encourage voluntary compliance and maintain the confidence of Canadians that the tax system is equitable, we need to maintain an adequate level of audit coverage within each of our major tax programs. Following an independent review of the CCRA's compliance resources and the declining trend in audit coverage rates, we received additional funding from the Government of Canada to invest over \$750 million in our compliance programs over the 2001-2002 to 2005-2006 period.



Tax Services

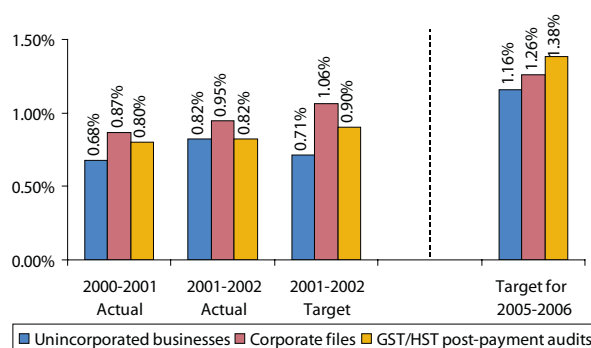
Although we were successful in hiring close to 900 additional officers by the end of 2001-2002, we were unable to fully meet our FTE target for compliance staff. Largely, as a result, our overall expenditure on compliance programs was below the budgeted amount for this year. One of the key commitments for the additional funding is to increase audit coverage rates over a five-year period. Although we are unable to precisely measure our audit coverage rates, our best available estimates indicate that we were successful in meeting our 2001-2002 target coverage rate for T2 large file cases, and we nearly met our target for T2 basic files (Exhibit 30). However, our audit coverage of small and medium business, individual, and GST/HST accounts was below target (Exhibit 31).

Exhibit 30: Estimated Audit Coverage Rates: Large Corporations



Overall, we completed approximately the same number of audits in 2001-2002 as in the previous year, while increasing the number of referrals to the Department of Justice for prosecutions. Although training and mentoring our new employees has temporarily decreased the productivity of our more experienced audit staff, our investment in human resources places us in a good position to meet our audit coverage targets for the coming fiscal years. Even though we were not able to meet all of our audit coverage targets for 2001-2002, the fiscal impact of our compliance programs exceeded our commitment to the Government of Canada of \$6.2 billion, due to a substantial increase in assessments from our non-filer/non-registrant program. The actual fiscal impact for the year was \$6.5 billion. This performance was broadly in line with our projection that our compliance programs would generate nearly \$10 in additional assessments for every additional dollar invested.

Exhibit 31: Estimated Audit Coverage Rates: Small and Medium Business and GST/HST Files

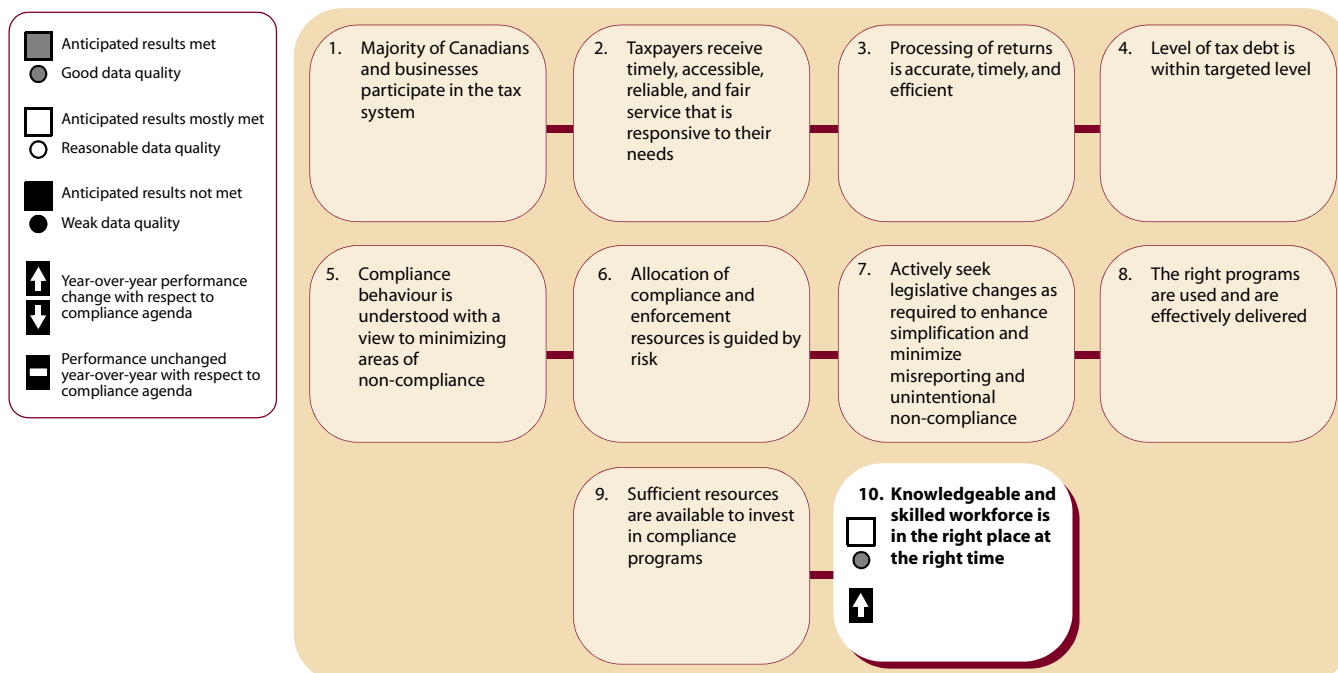


Tax Services

Managing the Compliance Continuum

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 10



Conclusion

While the CCRA undertook several initiatives to attract, train, and retain qualified employees, continued recruitment efforts along with an aggressive learning products development plan are required to accelerate the time it takes to productively deploy new human resources.

Success Criteria

Successful competition with the private sector for highly qualified staff.
Continuous improvement of existing training programs.

Highlights

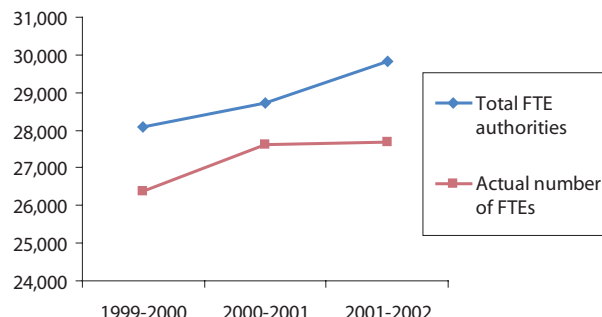
The Tax Services business line currently employs about 27,600 full-time equivalents (FTEs), representing 60% of the CCRA's workforce. With additional funding from the resource review, our immediate challenge is to attract the workforce we need to carry out our compliance mandate. Across all functions in Tax Services, the number of FTEs remained virtually constant. In 2001-2002, much of our recruitment effort was focused on compliance. Although we experienced some delays in hiring auditors for a number of different reasons, including accommodation and security clearance issues following September 11, by the end of the fiscal year, we met our targets for hiring approximately 900 additional auditors. The late hiring resulted in only a marginal effect on our FTE count for this year.

Over the next few years, with a move towards electronic service delivery, through our Future Directions initiative, and the increasingly dynamic global environment in which we operate, the mix of skills in our workforce will have to change and adapt across all our service delivery lines.



Tax Services

Exhibit 32: Trend in FTEs: Authorities and Actual



To keep pace with the ever-changing internal and external environment (such as legislative amendments, globalization and e-commerce), we invest in training and learning for our existing employees. This will require even more attention over the coming years. A large number of senior staff who are reaching retirement age will have to be replaced, and their accumulated skills and knowledge will need to be transferred to their successors. Our Annual Survey indicates that 85% of Canadians who have had contact with Tax Services agree that the staff are knowledgeable and competent.

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

A key concern is how to retain staff in specialized areas where we compete with the private sector for highly trained staff. We have a variety of effective recruitment initiatives to attract highly qualified, knowledgeable, and professional individuals. Examples of these include the Auditor Recruitment and Apprenticeship Program, the Internal Recruitment Auditor Apprenticeship Program, and participation in the Economist and Statistician Recruitment and Development Program.

Creating an environment that fosters continuous learning, staff development, and job satisfaction is vital to keeping knowledgeable and competent staff. In order to identify and respond to staff learning needs, competency profiles are being developed for all positions, and individual learning plans are in place for most of our employees. With the development of competency profiles, the learning plans will be tailored to address the needs of staff vis-à-vis the competency profile of their position and their career plans.

In addition to internal training initiatives, in some areas such as audit, we partner with academic organizations, foreign administrations, and other internationally recognized training providers to attain key expertise in areas such as computer search and evidence recovery, fraud awareness, sophisticated computer-assisted audit techniques, and auditing electronic commerce. We also provide specialized training on international tax matters such as foreign accrual property income, offshore trusts, non-resident tax, transfer pricing, and tax treaties.









According to a report from the Canadian Federation of Independent Business, CCRA auditors received favourable marks from business owners who have had their firms audited since we became an agency. The auditors' level of courtesy received the highest marks, with 48% of business owners rating this trait as good, 39% as acceptable, and only 12% as poor. The overall professionalism of auditors followed closely behind, with 86% of business owners citing this as either good or acceptable.

Tax Services

Innovating for the Future (Year 2 of 5)

Expected Outcome: Canadians pay their fair share of taxes and the tax base is protected

Anticipated Result 11

	Anticipated results met
	Good data quality
	Anticipated results mostly met
	Reasonable data quality
	Anticipated results not met
	Weak data quality
	Performance exceeded or did not meet year 2 of 5 expectations with respect to innovation
	Performance on track with year 2 of 5 expectations with respect to innovation

11. Core business is under transformation to better meet our mission



Conclusion

We were able to realize substantive service improvements, notwithstanding the program challenges associated with the growing complexity and volume of our work.

Success Criteria

Delivery on commitments as stated in the CCRA Corporate Business Plan.

Highlights

During the past decade, the CCRA has made much progress in electronic service delivery. This has put us at the forefront of the Government On-Line (GOL) initiative, which will have key programs and services on-line by 2005. The CCRA is uniquely positioned to advance the GOL initiative, not only because of our innovative efforts at electronic service delivery, but by virtue of the fact that we deal with the majority of Canadians and Canadian businesses on a regular basis. For many Canadians, the CCRA is the “face” of the federal government.

Extensive consultations with client groups through our Future Directions initiative have confirmed that we are on the right track in using electronic service delivery as the driving force behind our ongoing business transformation for improved service and efficiency. We have continued to aggressively expand the range of electronic service options we offer, and a substantial share of our clients are taking advantage of these services. Our on-line services are driven by five key principles: they are client-driven; convenient, accessible, and bilingual; faster; respectful of privacy and security; and represent a choice of service options.

Besides the Internet, we have continued to explore the use of telephony technology, with innovations such as allowing business clients to file nil payroll reports and GST/HST returns over the telephone. Other changes to business practices include permitting individual clients to pre-authorize the debiting of their accounts for instalment or arrears payments. Projects to re-engineer or replace legacy systems, such as the redesign of the GST/HST system using the standardized accounting platform, the Other Levies Project, and T1 Matching Redesign, are proceeding as planned.

Good progress has been made in implementing some *2001-2002 to 2003-2004 Corporate Business Plan* initiatives, as well as initiatives identified in the Road Ahead section of our last Annual Report, including electronic service options. Under our Future Directions initiative, we made solid progress in developing an integrated service vision across agency business lines.



Tax Services

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



We have continued our pursuit of continuous program improvement aimed at enhancing the service we provide. For example, we moved towards becoming a more modern and efficient service provider through our role in the *Excise Act* Review. This is a joint effort with the Department of Finance to review and overhaul federal tax provisions for alcohol and tobacco products under the *Excise Act* and *Excise Tax Act*. The proposed *Excise Act, 2001* aims to replace the old and outdated administrative and enforcement structure for alcohol and tobacco products with a modern regime reflecting current practices.

The CCRA plays a leading role in the Cabinet-supported Voluntary Sector Initiative (VSI) and chairs the Joint Regulatory Table of the VSI. The efforts of this group resulted in the Prime Minister's signing an accord, in 2001-2002, recognizing the importance of the new relationship between the federal government and the voluntary sector. As well, we have made significant progress in establishing a new direction for the Scientific Research and Experimental Development (SR&ED) Program. The Minister's Conference on Scientific Research and Experimental Development was held in May 2001. In Large Business Audit, we have also undertaken to initiate a number of working groups to examine the way we do business, and to make improvements to program design.

Tax Services

The Road Ahead

Progress Against the 2000-2001 Road Ahead

Targeted Areas for Improvement*	Targeted Completion Date*	Status	On Track During 2001-2002?	Roll Into Road Ahead 2002 and Beyond?
Reduce the level of accounts receivable	2001-2002	<ul style="list-style-type: none"> A multi-faceted strategy to address the level of accounts receivable has been developed. Elements of this strategy include nationalizing the collections workload and reducing the level of accounts more than five years old. 	☑	Yes See item 1
Enhanced programs for enforcing compliance and improved protection of tax base	2001-2006	<ul style="list-style-type: none"> With additional resources provided by the Government, over 900 new auditors have been hired and trained. However, it will take a few years to realize the full impact of this investment. Significant work undertaken to match third-party information slips on payments made to government contractors and construction sub-contractors with revenues reported. 	☑	Yes See item 2
Maturing of TONI administration	2001-2002	<ul style="list-style-type: none"> Introduced TONI in the remaining provinces (excluding Quebec) and territories in February 2002. 	✓	No Fully implemented
Improved timeliness of corporate processing	2001-2002	<ul style="list-style-type: none"> Inventories have been reduced to acceptable levels, but service standards for processing timelines revised in light of recent program experience. 	✗	Yes See item 3
Expanded beneficial adjustments	2001-2002	<ul style="list-style-type: none"> Beneficial adjustments will be expanded to include other types of taxpayer errors after full implementation of Matching Redesign Initiative in 2004-2005. 	N/A	No Revised status
Modernize delivery of the excise duty and tax program	2001-2005	<ul style="list-style-type: none"> First phase of the Other Levies Project implemented, including moving Workers Compensation Board and Industry Canada payments onto the standardized accounting platform and creating a Business Number for all excise accounts. 	✓	Yes See item 4
More convenient filing options, speedier returns processing, and paper burden reduction	2001-2003	<ul style="list-style-type: none"> Implemented all key deliverables for 2001-2002 with regard to the T4 Internet filing option, GST/HST Internet filing, and Business Registration On-Line. Expanded the use of NETFILE. 	✓	Yes See item 5



Tax Services

Targeted Areas for Improvement*	Targeted Completion Date*	Status	On Track During 2001-2002?	Roll Into Road Ahead 2002 and Beyond?
Effective performance management targets, and service standards including standards for telephone services	2001-2004	<ul style="list-style-type: none"> In step with the broader implementation of the Balanced Scorecard, work progressed on the development of Balanced Scorecard measures and indicators. However, at a corporate level, the Agency did not progress as expected, falling short in the overall phased-in implementation of the BSC (see page 37). We are now back on track in 2002-2003. Effective 2002-2003, we expect to establish a service standard for caller accessibility adapted from our internal performance standard. 	×	Yes See item 6
Systematic monitoring of decisions relating to cancellation and waiving of interest and penalties for consistency	2001-2002	<ul style="list-style-type: none"> Fairness registry reviewed as a first step towards implementing systematic nationwide monitoring system. 	×	Yes See item 7
Improved measurement and reporting of overall compliance, particularly for certain categories of tax	2001-2002	<ul style="list-style-type: none"> Developed an initial comprehensive compliance measurement framework and a proposed action plan for implementation beginning in 2002-2003. 	☑	Yes See item 8

✓ On track

☑ Mostly on track

× Not on track

**Source: Prior year Annual Report to Parliament (2000-2001)*

Tax Services

The Road Ahead – 2002 and Beyond

1. Implement multi-faceted framework for managing accounts receivable, including nationalizing collections workload (Anticipated Result 4).
2. Deploy the additional resources provided by the Government to meet the commitments for audit coverage and anticipated fiscal impact for 2002-2003 through 2004-2005 (Anticipated Results 4, 8, 9 and 10).
3. Improve the timeliness of processing T2 Corporation returns against the revised service standards (Anticipated Result 3).
4. Continue implementation of Other Levies Project as stated in the *Corporate Business Plan* (Anticipated Result 11).
5. Continue expansion of electronic delivery initiatives as stated in the *Corporate Business Plan* and *Future Directions*. This includes: building capability to process 75% of returns filed electronically in the next few years; and introducing T2 Internet Filing for corporation returns (Anticipated Results 3 and 11).
6. Improve performance against existing service standards; expand the scope of these standards beyond timeliness and include standards for telephone enquiries (Anticipated Result 2).
7. Fully implement a systematic, nationwide fairness monitoring program (Anticipated Result 2).
8. Finalize the framework for measuring compliance and develop appropriate indicators (Anticipated Result 5).
9. Implement *Excise Act*, 2001 (Anticipated Result 11).
10. Continued participation in International e-compliance and e-service committees to clarify existing policies and practices in an e-commerce world (Anticipated Result 8)



Tax Services Attachment 1

Attachment 1: Logic Model

This following logic model offers a roadmap showing the links between our inputs, activities and outputs that are essential to achieving our anticipated results in support of our expected outcome. It also shows how these fit into the Agency's overall strategic outcomes. This logic model is the foundation of our performance report card which summarizes our performance against each anticipated result.

Tax Services Logic Model						
Mission: Promote compliance with tax, trade, and border legislations, thereby contributing to the economic and social well-being of Canadians						
Inputs	Key Activities	Outputs	Anticipated Results	Success Criteria	Expected Outcome	Strategic Outcome
Resources (human, financial, and capital) Legislative framework (federal, provincial, and territorial)	Client services	Enquiries handled and outreach activities Rulings and interpretations Beneficial adjustments	Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs	Performance meets or exceeds service standards and internal performance standards, client satisfaction Baseline survey; legislative changes communicated	Canadians pay their fair share of taxes and the tax base is protected	Canadians comply with tax and border legislation
	Process returns	Processed information and tax returns Tax assessments and client requested reassessments	Processing of returns is accurate, timely, and efficient	Processing times meet or exceed service and internal performance standards; increase in electronic filing rates		
	Revenue collection	Collection of outstanding accounts Write-offs	Level of tax debt is within targeted level	Cash collections meet or exceed government expectations for additional funding; reduction in the age of accounts receivable; dollar value of production meets or exceeds the intake of new debt; stability in the ratio of outstanding receivables to gross revenues		
	Review existing legislation and regulations	Recommendations for legislative amendments	Actively seek legislative changes as required to enhance simplifications, and to minimize misreporting and unintentional non-compliance	Prompt responsiveness in identifying issues and making recommendations for legislative changes		
	Compliance research and risk modeling	Updated national risk assessment systems Information and intelligence to support program development Compliance indicators	Compliance behaviour is understood with a view to minimizing areas of non-compliance Allocation of enforcement resources is guided by risk	Prompt analysis and reporting of compliance behaviour to assist in the development, refinement and targeting of compliance programs Effectively identify discrepancies between amounts reported on tax returns and third-party information reports		
	Program development and refinement Compliance and enforcement activities (audits, matching, validations, investigations, SR&ED reviews, etc)	Assessments and reassessments Prosecutions Approvals/denials of claims Resourcing studies, compliance strategies, and business cases	Sufficient resources are available to invest in compliance programs The right programs are used and are effectively delivered	Audit coverage rates meet or exceed target levels; fiscal impact of compliance programs meets or exceeds our commitments to the Government Meeting or exceeding anticipated fiscal-impact levels; high degree of take-up in the audit protocol agreement program		
	People management	Staffing actions Trained staff Performance evaluations	Knowledgeable and skilled workforce is in the right place at the right time	Successful competition with the private sector for highly qualified staff; continuous improvement of existing training programs		
	All of the above	All of the above	Majority of Canadians and businesses participate in the tax system and pay their fair share	High levels of compliance that meet or exceed those we reported in 2000-2001		
	Service and systems improvement	New service delivery options (e.g., Internet options) Systems enhancements and continuous process improvements	Transfer our core business to better meet our mission	Delivery on commitments as stated in the CCRA's Corporate Business Plan		
						The CCRA is a leading-edge service organization

Tax Services Attachment 2

Attachment 2: Service Standards in Tax Services

	Service	Service Standard	Target	Results		2000-2001 Compared to Target	Results 2001-2002	2001-2002 Compared to Target
				1999-2000	2000-2001			
Tax Services – Client	1. Counter-service wait time	20 minutes (except during peak periods)	20 minutes (except during peak periods)	Not available	86% served within 20 minutes	✗	85% served within 20 minutes (see note)	✗
	2. Processing Visitor Rebate applications	4-6 weeks	100%	95%	95%	☑	95% (see note)	☑
	3. Reimbursements to duty-free shops	5 working days	100%	99%	99%	☑	99.8%	☑
	4. Responding to client-requested adjustments (T1)	8 weeks	100%	7 weeks	7 weeks	✓	7 weeks (see note)	✓
	5. Compensation to duty free shops	30 days	100%	99%	99%	☑	90%	✗
	6. Validating magnetic media test tapes	30 days	100%	96%	96%	☑	98% (see note)	☑
	7. Problem Resolution Program	Acknowledged within 24-48 hrs. Resolution within 15 days	100% 100%	Not available	Not available	Not available	100% 76% (see note)	✓ ✗
	8. Processing fairness requests related to accounts receivable and trust accounts programs	4-6 weeks	90%	91%	91%	✓	91% (see note)	✓
	9. Advance income tax rulings to taxpayers	Within 60 days	100%	108 days	54 days	✓	66 days	✗
	10. Technical interpretations to taxpayers	Within 90 days	100%	121 days	105 days	✗	87 days	✓
	11. Applications to register pension plans	Deemed registration within 60 days	80%	Over 80%	Over 80%	✓	90%	✓
		Complete review in 180 days	80%	89%	89%	✓	89%	✓
	12. RSP and RIF applications	Within 60 days	80%	68%	RSP 68% RIF 78%	✗ ☑	RSP 73% RIF 78%	✗ ☑
	13. Response to telephone enquiries regarding deferred income plans	Within 24-48 hours	100%	Over 80%	Over 80%	✓	100% (see note)	✓
	14. Response to written enquiries regarding deferred income plans	Within 60 days	80%	59%	68%	✗	70%	✗
	15. Issue statements of account to corporations on a monthly basis (new)						Not available	Not available



Tax Services Attachment 2

	Service	Service Standard	Target	Results 1999-2000	Results 2000-2001	2000-2001 Compared to Target	Results 2001-2002	2001-2002 Compared to Target
Returns Processing	16. Processing T1 individual income tax returns (paper)	4-6 weeks	4-6 weeks	5 weeks	4 weeks	✓	4 weeks (see note)	✓
	17. Processing T1 individual income tax returns (EFILE, TELEFILE, NETFILE)	2 weeks	2 weeks	2 weeks	2 weeks	✓	2 weeks (see note)	✓
	18. Processing T3 trust returns	Within 4 months	95%	67%	62%	✗	46.1%	✗
	19. Processing GST/HST returns	21 days	100%	94%	91%	✗	98%	☑
	20. Processing T2 corporation income tax returns	75% in 50 calendar days, 90% in 90 calendar days	75% in 50 calendar days, 90% in 90 calendar days	51% in 90 days	89% in 90 days	☑	45% in 50 days 61% in 90 days (see note)	✗
	21. Processing EFILE agent applications	30 days	100%	100%	100%	✓	91% (see note)	✗
Review	Claims – SR&ED tax incentives							
	22. Refundable claims – New combined target (unaudited and audited)	120 days (see note)	90%				90% (see note)	✓
	Previous standard							
	Unaudited	60 days	100%	84%	80%	✗		
	Audited	120 days	100%	81%	81%	✗		
	23. Non-refundable claims – New, combined target (unaudited and audited)	365 days (see note)	90%				84% (see note)	✗
	Previous standard							
	Unaudited	120 days	100%	85%	84%	✗		
	Audited	1 year	100%	58%	64%	✗		
	24. Claimant-requested adjustments to refundable claim (new)	240 days	90%	Not available	Not available	Not available	86%	☑

Tax Services Attachment 2

Review	Service	Service Standard	Target	Results 1999-2000	Results 2000-2001	2000-2001 Compared to Target	Results 2001-2002	2001-2002 Compared to Target
	25. Claimant requested adjustments to non-refundable claim (new)	365 days	90%	Not available	Not available	Not available	81%	✗
	Claims – Video and film tax credits							
	26. Refundable claims – unaudited	60 days	100%	84%	73%	✗	68%	✗
	27. Refundable claims – audited	120 days	100%	77%	75%	✗	57%	✗

☒ Met or exceeded target
 ☒ Target mostly met (at least 95%)
 ✗ Target not met
 ■ New or modified service standard

Explanatory notes

Standard 1: Information is based on limited input from Client Service Rating Cards and is not statistically valid.

Standard 2: Information is based on an estimate.

Standard 4: The standard applies to straightforward client requested adjustments, that is, those that pertain to workflows that do not involve time waiting for substantive information in order to be resolved.

Standard 6: Information is based on 705 test submissions done in January and February 2002.

Standard 7: Information is based on a sample and is not statistically representative.

Standard 8: Information is based on a small sample size and is not statistically valid.

Standard 13: Information is based on an estimate; target was revised from 80% to 100% starting 2001-2002.

Standard 16: Information is based on T1 Statistical Sample File.

Standard 17: Information is based on T1 Statistical Sample File.

Standard 20: The standard changed during the year from 85% within 25 days to 75% within 50 days. The standard that had been set before implementation was revised following a review conducted after one full year of running the new system for processing T2 returns.

Standard 21: The result is based on an estimate and sampling; the data is weak.

Standard 22: The SR&ED service standards for unaudited and audited refundable claims, previously set at 60 days and 120 days respectively, have been combined into one standard for refundable claims, namely 120 days.

Standard 23: The SR&ED service standards for unaudited and audited non-refundable claims, previously set at 120 days and 1 year respectively, have been combined into one standard for non-refundable claims, namely 365 days.



Tax Services Attachment 2

New Service Standards for 2002-2003

New standards and related targets		
Tax Services	Terminations of registered pension plans within 12 months	85%
	Amendments to registered pension plans within 270 days	80%
	Approval of eligible contributions to registered pension plans within 270 days	80%
	Registration of education saving plans within 60 days	85%

Improvements to Existing Service Standards for 2002-2003

Improvements to existing standards in 2002-2003	
Tax Services	Counter wait-time – Development of consistent monitoring and reporting method
	Problem Resolution Program – Development of consistent monitoring and reporting method
	Processing fairness requests – Efforts will be directed to improving the quality of monitoring and performance data
	Target for deemed registrations of registered pension plans within 60 days will be raised to 85%
	Target for complete review of registrations of registered pension plans within 180 days will be raised to 85%
	Processing T3 returns in 4 months – Working to improve service delivery through increased automation



Benefit Programs and Other Services



Benefit Programs and Other Services

Rating System



Anticipated results met

Rating is based on good data quality – Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results mostly met

Rating is based on reasonable data quality – Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results not met

Rating is based on weak data quality – Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods

Variance



Year-over-year performance improved for **Managing the Compliance Continuum**



Year-over-year performance remained unchanged for **Managing the Compliance Continuum**



Year-over-year performance declined for **Managing the Compliance Continuum**



Performance exceeded expectations for year 2 of 5 for **Innovating for the Future**



Performance on track with expectations for year 2 of 5 for **Innovating for the Future**



Performance did not meet expectations for year 2 of 5 for **Innovating for the Future**



Benefit Programs and Other Services

About *Benefit Programs and Other Services*

The CCRA's work in the Benefit Programs and Other Services business line plays an important role in the efforts of federal, provincial, and territorial governments to provide support to families and children and to help reduce the depth of child poverty, by providing Canadians with income-based benefits and other services that contribute directly to their economic and social well-being. In all, we issue over \$11 billion in tax-free benefit payments to over 10 million low- and moderate-income Canadians. For many recipients, benefit payments represent a significant share of household income. Most of the benefit programs we deliver are income-based, and participants must file an individual (T1) income tax return to receive them. Because we depend on the processing of T1 returns, the benefits "payment year" runs from July to June.

We administer four federal benefit and credit programs through this business line. Our two largest and best-known programs are the Canada Child Tax Benefit (CCTB) and the goods and services tax/harmonized sales tax (GST/HST) credit. The CCTB is a tax-free payment issued by the 20th of each month that helps over 80% of all families with children under age 18. Based on current plans to enrich the benefit in 2004, this figure is projected to rise to 90%. The GST/HST credit is a tax-free payment issued each quarter to almost nine million recipients covering nearly half of all Canadians. In addition, the Children's Special Allowance program pays about \$125 million annually for children in foster care and institutions, and the disability tax credit program provides \$365 million annually in non-refundable tax credits with respect to over 430,000 severely disabled individuals.



Benefit Programs and Other Services

In addition to these federal programs, we administer 17 ongoing provincial and territorial benefit programs that deliver nearly \$386 million annually to about 874,000 families and individuals. We also administered three one-time payment programs—for Ontario, Alberta, and British Columbia—which delivered a combined \$389 million to over 3.1 million recipients in 2001-2002. We also supply information to our provincial, territorial, and federal partners through data exchanges and transfers, to support the intergovernmental National Child Benefit initiative, as well as the programs our partners administer themselves (for example, to support the Ontario Child Care Supplement for Working Families, or the Employment Insurance Family Supplement and Guaranteed Income Supplement programs administered by Human Resources Development Canada).

In addition to administering benefit and credit programs, we also provide a number of other services to our partners and clients. We issue rulings for the Canada Pension Plan (CPP) and Employment Insurance (EI) programs to help ensure Canadians receive fair, impartial, and reliable decisions and related information. As well, we administer the Refund Set-Off program, under which outstanding debts of individuals owed to our federal, provincial, and territorial partners are offset against their income tax refunds, GST/HST credit payments, and provincial tax credits. We process payments for the Workers' Compensation Board of Nova Scotia and administer their First-Time Home Buyers' Harmonized Sales Tax Rebate. We have partnerships with Ontario and Nova Scotia to allow our Business Number to be assigned for provincial business programs, and we are expanding this arrangement to other provinces. We also administer sales taxes for several First Nations. We account to jurisdictions for our efforts on their behalf through Service Management Framework agreements, meetings between the Commissioner and provincial or territorial Ministers of Finance or their designates, as well as Annual Reports to each jurisdiction.

With the CCRA's large and flexible processing systems and infrastructure, we are able to support a growing number of federal, provincial, and territorial programs that provide social and economic benefits to Canadians. This supports sound public management and strengthens the social union in Canada. Some of our key activities and business line characteristics are listed below:

Key Volumetrics

- \$7.5 billion to approximately 2.9 million CCTB recipients
- \$3 billion to almost 9 million GST/HST credit recipients
- \$125 million in Children's Special Allowances
- \$386 million in ongoing payments and \$389 million in one-time payments under provincial and territorial programs
- approximately \$365 million with respect to over 430,000 severely disabled individuals under the Disability Tax Credit program
- 10.3 million telephone enquiries handled
- over 73,000 CPP/EI rulings issued
- \$160 million in Nova Scotia Workers' Compensation Board payments collected
- 839 full-time equivalent employees
- functional budget of \$53.4 million for program administration (excludes statutory funding for Children's Special Allowances and the Relief for Heating Expenses programs)



Benefit Programs and Other Services

Spending Profile

As Exhibit 33 indicates, the Benefit Programs and Other Services business line had approximately \$253 million in authorized spending for 2001-2002. This included direct social transfers to individuals under statutory programs, including Children's Special Allowances (\$125 million) and other ad-hoc transfers such as the Relief for Heating Expenses program (\$62.6 million). The remaining \$65.8 million was available for program administration.

Exhibit 33: Business Line Spending

Benefit Programs and Other Services	1999-2000	2000-2001	Percentage Increase	2001-2002	Percentage Increase
Planned Spending ^a (\$000)	102,942	164,308	59.6%	174,497	6.2%
Allocation of Authorities ^b (\$000)					
Direct Social Transfers to Individuals					
Statutory Programs: Children's Special Allowance	88,227	102,689	16.4%	125,026	21.8%
Special Transfer: Relief for Heating Expenses	N/A	1,521,819	N/A	62,552	-95.9%
Functional Budget for Program Administration	44,745	51,573	15.2%	65,766	27.5%
Total	132,972	1,676,081		253,344	
Actual Spending (\$000)					
Direct Social Transfers to Individuals					
Statutory Programs: Children's Special Allowance	88,227	102,689	16.4%	125,026	21.8%
Special Transfer: Relief for Heating Expenses	N/A	1,459,267	N/A	42,211	-97.1%
Functional Budget for Program Administration ^c	40,287	51,463	27%	53,438	3.8%
Total	128,514	1,613,419		220,675	
Planned FTEs ^d	581	1,026	76.6%	934	-9.0%
Total FTE Authorities ^d	866	1,000	15.5%	1,075	7.5%
Actual Number of FTEs ^e	605	796	31.6%	839	5.4%

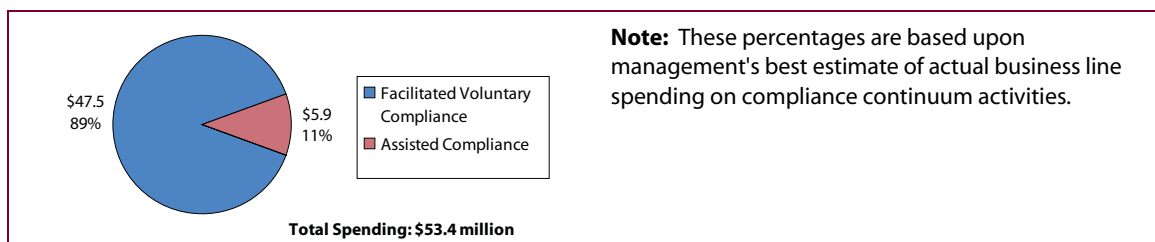
- Planned Spending is the Agency published Main Estimates (approved by Parliament at the beginning of the fiscal year). These figures are net of spendable revenues (Revenues credited to the Vote).
- Total spending authority provided by Parliament for the fiscal year. It includes Main Estimates plus any in-year Supplementary Estimates and year-end approvals. These figures are net of spendable revenues.
- Actual spending is net of spendable revenues. The 2001-2002 figure reflects underspending compared to authorities related mainly to Information Technology Branch (ITB) support costs. Spending figures do not include resources related to client services (telephone enquiries), CPP/EI activities, or refund set-offs, which are included in Tax Services information. Financial information related to federal-provincial business planning and development is also not included here. It is not possible under our current costing system to break out financial information for this business line in more detail.
- Estimates of FTEs based on Parliamentary approved Planned Spending and Authorities for dollars
- For 2001-2002, the allocation of Information Technology Branch resources to this business line is done on a different basis than the authorities and the previous years, making year-over-year comparison difficult. The CCRA is taking steps to better align these Authorities and Actual data by business line.

Benefit Programs and Other Services



In 2001-2002, 6% of the Agency's overall budget was devoted to this business line, with 1.5% for functional programs (\$53.4 million) and the remaining 4.5% for direct social transfers to individuals under statutory programs (\$167.2 million). The \$53.4 million spent on program administration represents an increase of some \$1.9 million from 2000-2001. The lion's share (89%) of the \$53.4 million was allocated to facilitation activities (such as ensuring the quality of our payments and notices, updating and adjusting client accounts, and processing forms and applications). The remaining 11% was allocated to assisted compliance activities (such as validation programs), as illustrated below in Exhibit 34.

Exhibit 34: Total Benefit Program Administration Resources Allocated to the Compliance Continuum for 2001-2002 (\$million)





Benefit Programs and Other Services

Evaluating Our **Overall Performance**

We Have Two Expected Outcomes

Benefit Programs and Other Services supports the achievement of the CCRA's two strategic outcomes—compliance and innovation—through the results it achieves against the following expected outcomes:

Canadians receive their rightful share of entitlements – It is critical that we provide Canadians with the right tools and information so that they can provide us with the information we need to register them on the appropriate benefit rolls and ensure they receive accurate and timely benefit payments. Canadians are likely to access these programs if they are informed about them and have a clear understanding of what they need to do to receive benefits. We also undertake review activities to verify eligibility and entitlements.

Provinces, territories, and other government departments rely on the CCRA as a key service provider – Our legislative flexibilities as an agency and the adaptability of our systems enable us to provide Canadians with a greater range of services on behalf of provinces, territories, and other government departments to reduce overall cost to taxpayers and reduce duplication.

Performance Context

Driving our performance improvement efforts is the need to achieve and maintain high levels of client satisfaction. Canadians trust us to let them know about their entitlements and to deliver benefits accurately, consistently, and on time. As well, provinces, territories, and other federal departments look to us for cost-effective ways of delivering programs to citizens, as well as data support for programs they administer themselves. Client satisfaction is driven by our ability to do the job and our capacity to innovatively respond to the changing needs and expectations of Canadians and their governments. In our validation and controls activities, we concentrate most of our efforts on areas where we believe the risk of non-compliance is higher and where more intense scrutiny is required.

High-level Success Criteria

Below, we assess our performance against our expected outcomes using the following high-level success criteria:

- our communications and benefit delivery services and compliance activities combine to efficiently promote an environment where qualifying individuals and families receive the right amount of benefits at the right time—no more and no less; and
- our strengthened partnerships with provinces, territories, and other government departments result in the CCRA's administration of additional programs and services using our delivery infrastructure.

Benefit Programs and Other Services

Conclusions Against Expected Outcomes

On balance, we believe that by performing well against most aspects of the above two success criteria, we mostly met our first expected outcome and that we are generally on track in the second year of our innovation agenda.

On balance, we believe that by performing well against most aspects of the above two success criteria, we mostly met our first expected outcome and that we are generally on track in the second year of our innovation agenda.

In relation to Canadians receiving their rightful share of entitlements, we engage in a range of communications activities tailored to meet the information needs and diverse circumstances of our client base. For individual clients who need information about their own accounts, we have made significant progress in improving telephone accessibility, which increased to 91% for CCTB callers, exceeding our 80-85% internal performance standard. We also improved accessibility for GST/HST credit callers to 71%, although this remains below the 80-85% internal standard. To help reduce our clients' need to call, we also enhanced our Web site by adding a simulator that visitors can use to estimate their entitlements, as well as a facility to let clients tell us about address changes.

We achieved strong performance in issuing (via Public Works and Government Services Canada) over 99% of our 34 million CCTB payments and 33 million GST/HST credit payments on time. In addition, we processed an estimated 97% of new CCTB applications and issued first payments within two months. Our survey findings suggest that client satisfaction with all elements of the CCTB application process has increased. Although we achieved an estimated timeliness rate of only 80% for account maintenance activities, below our internal performance standard of 98%, additional impetus to improve performance for this workload will be provided as the internal timeliness performance standard becomes a service standard in 2002-2003.

As for accuracy, we estimate that rates of 98% for initial benefit applications and 95% for account maintenance activities were achieved. In line with our multi-year agenda, we have done substantial work to ensure the accuracy of the benefit rolls and identify areas of non-compliance. To this end, we reviewed 168,600 benefit accounts and processed adjustments to benefit levels and other client information in 31.6% of cases. Our efforts to improve our targeting of higher-risk accounts are on-going, and we are continuing our work to develop appropriate benchmarks against which to assess our performance in our validation programs. Our Annual Survey results indicate that an estimated three-quarters of our CCTB and GST/HST credit clients agree that the CCRA is doing a good or very good job in administering these programs.

We believe that we have made good progress in our three-year business development strategy to have provinces, territories, and other government departments rely on the CCRA as a key service provider. Taking advantage of our benefit delivery infrastructure, we implemented two new programs on schedule and within our overall funding levels, one for Newfoundland and Labrador and one for British Columbia. Data exchanges were enhanced to support the National Child Benefit (NCB) initiative. We also expanded partnerships for the delivery of other programs and services with Nova Scotia and several First Nations. Accountability to our partners was strengthened through meetings between the Commissioner and provincial and territorial counterparts, as well as through Service Management Framework agreements. Despite these accomplishments, we need to achieve further progress in the third year of our innovation agenda by pursuing opportunities to deliver additional programs and services for our partners.



Benefit Programs and Other Services

The table in Exhibit 35, the Benefit Programs and Other Services Report Card, provides a one-page summary of our performance against each of our three anticipated results. In the sections starting on pages 81 to 91, we discuss these findings in detail, and present our conclusions against detailed success criteria in place for each anticipated result.

Exhibit 35: Benefit Programs and Other Services Performance Report Card

Benefit Programs and Other Services						
Expected outcome – Canadians receive their rightful share of entitlements						
	Anticipated results	This year's ratings	Last year's ratings	Variance	Actual results as demonstrated by	Page
Managing the Compliance Continuum	1. Program communication and delivery is fair and responsive to recipients' needs				<ul style="list-style-type: none"> Improved targeting of outreach activities and expanded information programs have contributed to improved awareness of our benefit programs. Telephone services have improved, with caller accessibility rates of 91% for Canada Child Tax Benefit (CCTB) callers and 71% for GST/HST credit callers. Access through alternative channels is increasing. An estimated three-quarters of CCTB and GST/HST credit clients continue to rate the CCRA as doing a good or very good job in administering these programs based on our Annual Survey. 	81
						83
						81
	2. Entitled recipients receive accurate and timely payments and credits				<ul style="list-style-type: none"> According to information on our benefit rolls, over 99% of all payments to 3 million CCTB recipients and 9 million GST/HST credit recipients – including payments under related provincial and territorial benefit and credit programs – were issued on time. A review also showed that we met our internal performance standard in the payments and notices issued when processing CCTB applications, achieving an estimated 98% accuracy rate. The most recent available estimates suggest that approximately 95% of CCTB clients are fully compliant with their reporting requirements. The number of reviews under our validation and controls programs was increased, with adjustment rates also increasing to 31.6%. We processed an estimated 97% of CCTB applications in a timely manner, just below our 98% service standard. We also processed an estimated 80% of account maintenance adjustments on time, below our internal performance standard of 98%. We increased the timely processing of Canada Pension Plan/Employment Insurance (CPP/EI) rulings to 81%, but are still short of our 85% target. 	88
						87
						88
						89
Expected outcome – Provinces, territories, and other government departments rely on the CCRA as a key service provider						
	Anticipated results	This year's ratings	Last year's ratings	Variance	Actual results as demonstrated by	Page
Innovating for the Future (Year 2 of 5)	3. Successful leveraging of CCRA systems expands service, eliminates duplication across all levels of government, and reduces overall cost to taxpayers				<ul style="list-style-type: none"> We have exceeded our second year expectations with respect to data exchanges and expansion of other services, and we are generally on track with respect to the remaining elements of our change agenda. We implemented two additional benefit programs on schedule and within overall funding levels, bringing to 20 the total number of on-going benefit programs and one-time payment programs delivered for provincial and territorial governments. Enhanced data exchanges in support of the National Child Benefit initiative through the Benefit Data Synchronization Link, a Technology in Government Week 2001 Gold Medal winner for enhancing government operations, and improving systems and services. Refund set-offs for other government organizations up \$5 million, totalling some \$105 million. Expansion of other services, including continued development of our Workers' Compensation Board (WCB) partnership and implementation of First-Time Home Buyers' HST Rebate for Nova Scotia, additional progress on expanding Business Number partnerships in place with Ontario and Nova Scotia to three more jurisdictions, as well as implementation of additional First Nations sales taxes. Meaningful and transparent accountability with provinces and territories through additional Service Management Framework agreements signed with four jurisdictions (bringing the total number of agreements in place to nine), as well as Commissioner's meetings, and annual reports. We are still unable to precisely measure the incremental costs associated with new services. This will be addressed as part of our agency-wide Activity-Based Costing initiative. 	92
						91
						94
						94
						94
						94

Benefit Programs and Other Services

Contributions of Others

The achievement of our two expected outcomes is not solely attributable to the CCRA. Our job is made easier through the support of strong federal, provincial, and territorial legislation to clearly identify who is eligible to receive benefits and the amount of their entitlements. We rely on consultations with our partners to clarify program objectives and identify cost-effective solutions for delivering benefit programs and other services, using flexible and adaptable systems. Acting as our agent, we count on Public Works and Government Services Canada to issue cheques and direct deposit payments on our behalf. We also count on Canada Post to deliver our payments, so that clients receive the benefits they expect, and they receive them on time.

Logic Model

We have prepared a Benefit Programs and Other Services logic model (see page 99), which offers a roadmap showing the links between our inputs, activities, and outputs that are essential to achieving our three anticipated results in support of our two expected outcomes. It also shows how these fit into the CCRA's overall strategic outcomes. This logic model is the foundation of our performance report card, which summarizes our performance against each anticipated result.

Discussing Our *Performance* by Anticipated Result

We assess our performance for the Benefit Programs and Other Services business line against three anticipated results as they relate to our two expected outcomes: ***Canadians receive their rightful share of entitlements, and provinces, territories, and other government departments rely on the CCRA as a key service provider.***

Ratings are provided for each anticipated result. They show whether our performance met (green), mostly met (yellow), or did not meet (red) the results. We provide a separate rating on the quality of the information upon which we based the assessment. As with other business lines, we assess our performance against two themes: managing the compliance continuum and innovating for the future.

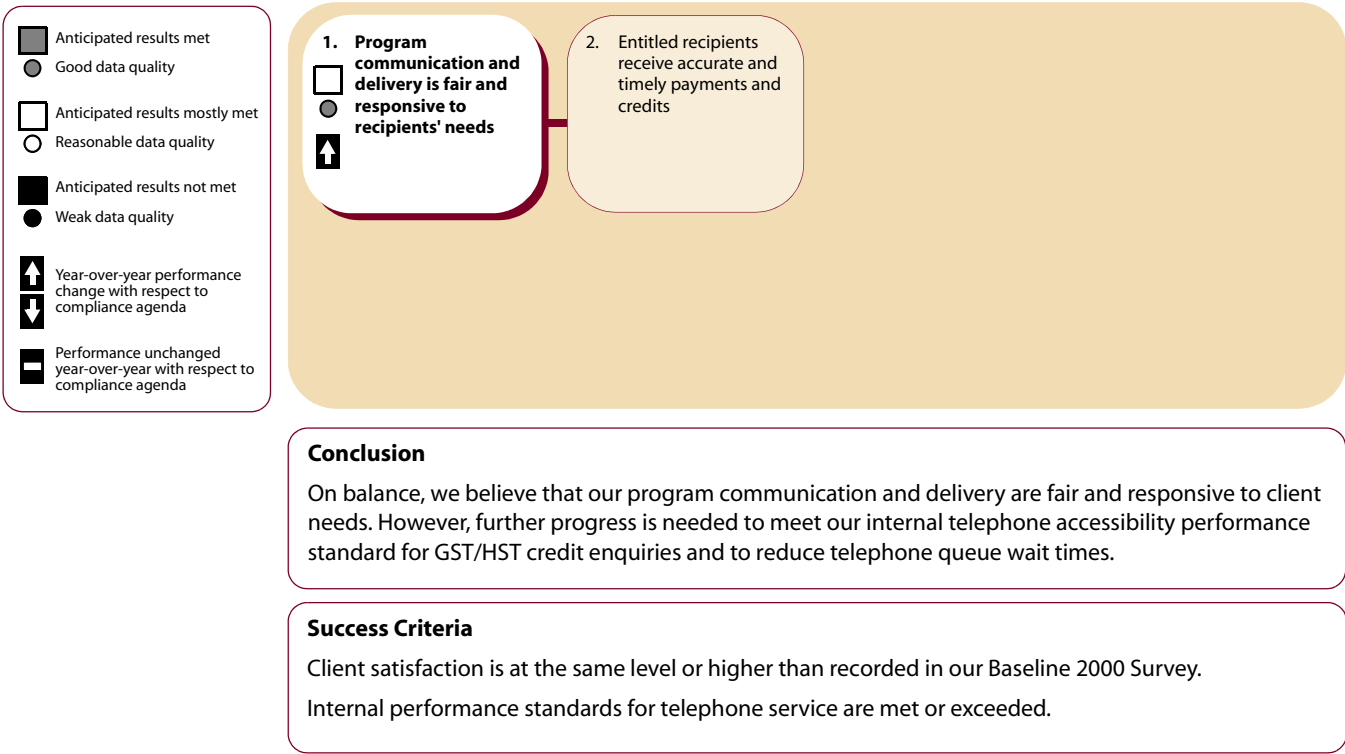


Benefit Programs and Other Services

Managing the Compliance Continuum

Expected outcome: Canadians receive their rightful share of entitlements

Anticipated Result 1



Highlights

Communications – We assess the effectiveness of our efforts to communicate information about benefit programs based on the level of client satisfaction, which we gauge through surveys and focus groups. Our communications strategies aim to increase visibility of the programs we administer, and ensure that individuals are aware of their entitlements and obligations. A communications plan is in place for both the CCTB and GST/HST credit programs.

Compared to the CCRA's Baseline Study in 2000, our 2001 study suggests that client satisfaction with our performance in delivering benefits remains high. Our survey-based estimates indicate that 75% of GST/HST credit clients and 78% of CCTB clients believe that we are doing a good or very good job administering these programs (consistent with our satisfaction rating in the prior year).

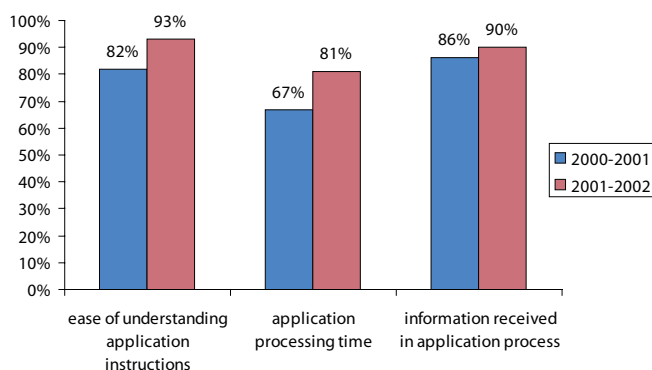
Our communications product with the widest distribution is the information insert included with notices mailed each July to over three million CCTB clients. The insert developed for July 2001, "Ten Things You Should Know About Your Canada Child Tax Benefit," specifically addressed how important it is for recipients to notify the CCRA about address changes or changes in their family situation.

Benefit Programs and Other Services

A second particularly important form of communication with our clients is the computer-generated notice we send each time a change in payment occurs. The notice explains the payment, identifies the benefit programs involved, and the reasons why the change was made. It gives the client a better understanding of what benefits are being paid and by whom, as a single payment often combines the federal benefit with a provincial or territorial one. It also gives clients an opportunity to correct their account information, and provides them with a means to pursue formal recourse should they disagree with the change. The effectiveness of these notices, and the system that produces them (the Verse Management System), was scrutinized in 2001-2002. The review included focus group testing (i.e., facilitated interviews, typically with six to ten individuals representing the client group) to assess the wording, readability, format, and effectiveness of this form of communication. The review, completed in May 2002, will be used to improve the effectiveness of our notices in 2002-2003.

We have also continued our use of client satisfaction surveys, completing one in August 2001 to follow up on our initial survey of June 2000. Results shown in Exhibit 36 below indicate year-over-year improvement in client satisfaction in all areas examined, with estimated approval rates improving to 93% for ease of understanding the application, 81% for the time taken to process the application and receive the first revised payment, and 90% for the information received in the application process.

**Exhibit 36: Canada Child Tax Benefit First-Time Applicants
Survey August 2001 – Satisfaction Rates**



Additional measures to improve communications in 2001-2002 included:

- re-writing form letters used in our validation processes to remind clients to contact the CCRA when they move, particularly to a new province or territory, or when their family situation changes;
- targeted mail-outs in March 2001 to remind more than 129,000 habitual late filers of their obligations and entitlements (this encouraged many of them to file their tax returns in time to allow us to use up-to-date income information for an additional 4,800 clients in our annual recalculation of benefits in July 2001);
- dissemination of CCTB and GST/HST credit information and distribution of pamphlets and applications through:
 - local outreach and community volunteer programs;
 - Citizenship and Immigration Canada at major ports of entry; and
 - two new horizontal Government of Canada publications—*Government of Canada Services for Children and their Families* and *Government of Canada Services for You*—issued by Communications Canada; and
- products such as fact sheets, tax tips, Qs and As, FAQs, news releases, and Internet postings, developed as a result of the communications strategy or on an ad-hoc basis.



Benefit Programs and Other Services

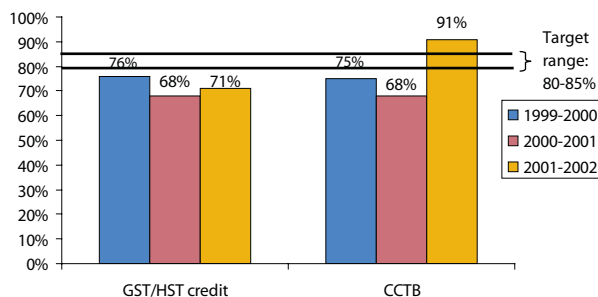
In addition to client awareness and satisfaction, another indicator of the effectiveness of our communications and outreach activities is the actual take-up rate in the programs we administer. We have previously reported that as many as 95% of entitled children born within sampled population areas were enrolled for the CCTB within one year of their date of birth, with an even higher take-up rate (over 98%) among low-income families who also receive the GST/HST credit. During 2001-2002 we launched an initiative to more closely measure take-up rates and, using client profiling techniques, provide a better understanding of why some families miss out on benefits. Once we have the results of this initiative, we will be able to better focus and target our communications activities to ensure that all Canadians are aware of all of the benefits to which they are entitled, under the programs we administer.

Telephone caller accessibility – In 2001-2002, our agents answered a total of 2.2 million CCTB telephone enquiries and 2.6 million GST/HST credit and refund enquiries. In addition, our automated systems responded to 1.9 million CCTB calls and 3.6 million GST/HST credit and refund enquiries.

Significant progress was made in improving access to these telephone services. In June 2001, we expanded our national 1-800 network for CCTB enquiries. As Exhibit 37 indicates, approximately 91% of all callers were able to reach the queue to speak to an agent about CCTB issues, a substantial improvement over the 68% we achieved in 2000-2001, and exceeding our internal caller accessibility performance standard of 80-85%. (Caller accessibility is the percentage of callers who, within a day, reach an agent or get into a queue to have their enquiry answered). This means that the majority of callers were able to reach the queue for service, but it does not imply that they were successful on their first attempt. We no longer monitor the number of attempts made by callers as a performance measure. We believe that this statistic has become less meaningful with the advent of new technologies, such as automatic redial services.

Similarly, clients calling our GST/HST credit and refund enquiries line had somewhat improved access to telephone service. On average, 71% of all callers were served, compared to 68% the previous year. However, despite this improvement, we are still below the internal performance standard of 80-85% established for this program. We are continuing to explore how to reach our internal performance standard for these calls.

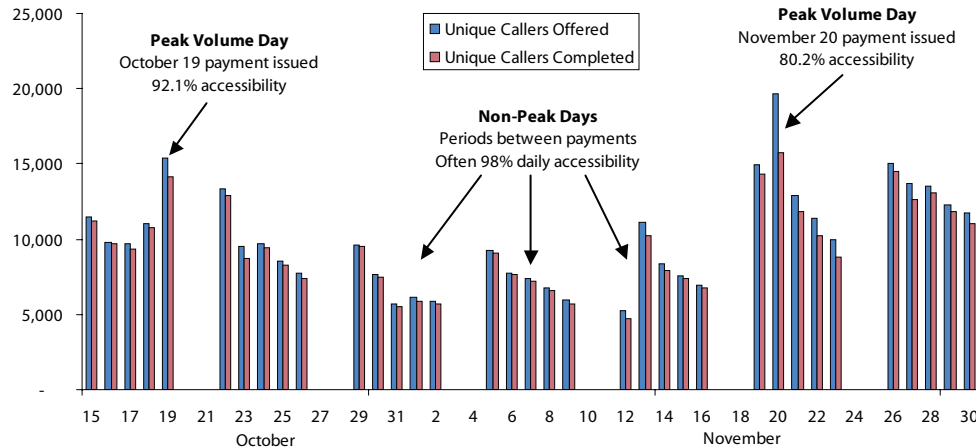
Exhibit 37: Telephone Caller Accessibility



For CCTB telephone enquiries, Exhibit 38 shows that in a typical month, peaks in our daily call volumes occur on the day clients expect to receive their payments (in this example, on October 19th and 22nd and November 20th), as well as one week later (e.g. October 29th and November 26th) when tracing action for lost or misdirected payments can begin. Although caller accessibility generally declined during peak periods, it tended to remain within our target range of 80% to 85%.

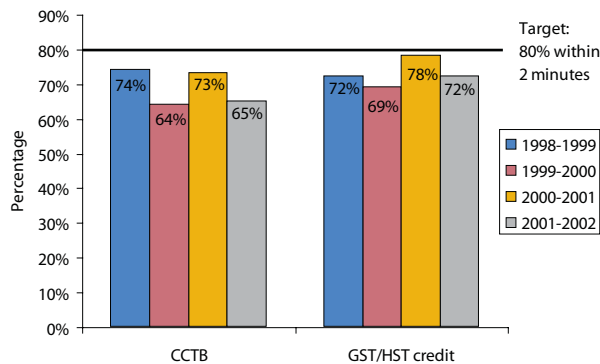
Benefit Programs and Other Services

Exhibit 38: Daily CCTB Call Volume – October 15 to November 30, 2001



A third measure of telephone accessibility is the time it takes to reach an agent from the queue. As Exhibit 39 shows, almost 65% of CCTB callers and 72% of GST/HST credit callers reached an agent within two minutes in 2001-2002, short of our internal performance standard of 80% within two minutes. This represents a decline from the previous year's figures of 73% and 78% respectively.

Exhibit 39: Telephone Accessibility – Calls Answered by an Agent Within Two Minutes





Benefit Programs and Other Services

Reducing the need to call – Our client service strategy aims to reduce the need for clients to call in the first place, by focusing on improved and more cost-efficient communications and outreach activities. In 2001-2002, we successfully increased client utilization of our alternative service channels. Our Child and Family Benefits Web page was enhanced with application forms, pamphlets, and links to Web sites on related benefits. Another innovative self-help feature we added to the page this year is a simulator (SIMNET) that allows clients to estimate the amount of monthly benefits based on hypothetical personal information and data. The SIMNET tool provides detailed calculations for the CCTB and any provincial or territorial child benefit or credit, based on address and other data input. The tool has been well received, and a simulated GST/HST credit calculation was added in July 2002. Future plans include allowing clients to file applications on-line as well as to view and validate additional personal information. By promoting and enhancing the Child and Family Benefits Web page, we were successful in significantly increasing visits from 250,000 the previous year to 314,000 in 2001-2002. At the same time, we handled over 18% fewer calls on our CCTB and GST/HST credit enquiries lines (from 12.7 million to 10.3 million), which may be an indication that our alternative service channels are reducing our clients' need to call.

Program delivery – Successful delivery of all of our benefit programs requires that we make regular and dependable payments to foster trust and meet our clients' needs. Payments made during the past year were seamlessly adjusted for revised income calculations, changes to family circumstances, and legislated changes. For example, the National Child Benefit Supplement component of the CCTB was enriched, and indexation-related increases to the CCTB as a whole were implemented starting in July 2001. The BC Family Bonus, the Saskatchewan Child Benefit, and the Newfoundland and Labrador Child Benefit were all reconfigured for the same date. The Newfoundland and Labrador Seniors' Benefit was reconfigured for October 2001.

As discussed on pages 86 to 88 under Anticipated Result 2, virtually all of our clients received their benefit payments with regularity and dependability and applications for benefits and client-requested adjustments were processed accurately.

We maintain client identification information in a database that contains over 30 million records and supports all CCRA programs for individuals. Our most significant new service launch—in February 2002—allowed clients to change their address on-line using a real-time, user-friendly, and secure application, in accordance with the new Treasury Board addressing standard. This pathfinder project under the Government On-Line initiative is the largest Internet application implemented by the CCRA to date. In order to meet the scheduled implementation date, a bridging solution for client authentication was implemented until the secure channel using PKI (Public Key Infrastructure) that is being developed for government-wide application is available.

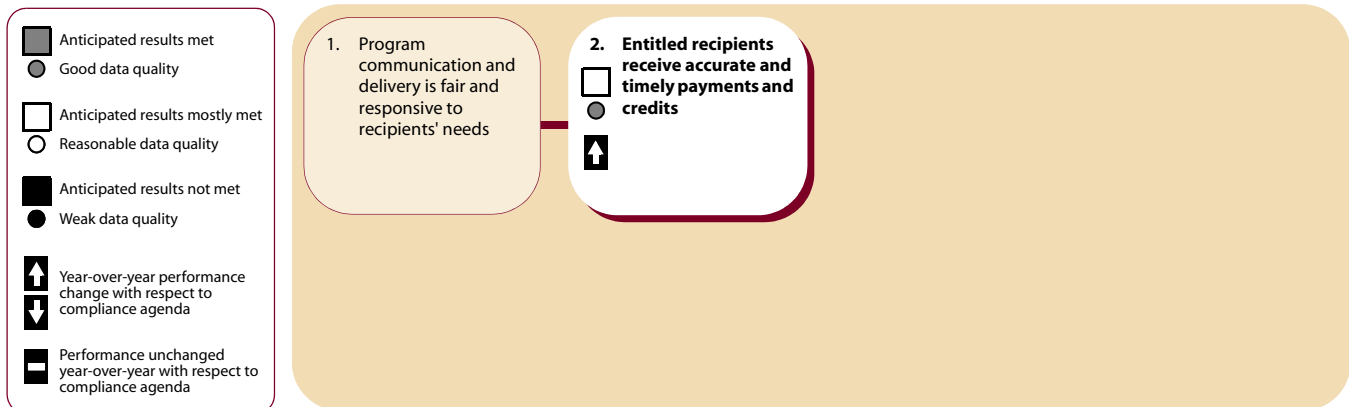
In July 2001, we also delivered the first of a two-phase initiative that will redesign the GST/HST credit program. Such steps, including standardizing the payment issuance date to the first Friday of each quarter and inhibiting payments to prisoners, provide some of the foundation for delivering the second phase in July 2002. Once fully implemented, the revised system will be fairer and more responsive to changes in family circumstances which occur during the benefit year. It will also provide stronger controls for benefits paid for children, improve payment accuracy, and align with the Canada Child Tax Benefit program where appropriate.

Benefit Programs and Other Services

Managing the Compliance Continuum

Expected outcome: Canadians receive their rightful share of entitlements

Anticipated Result 2



Conclusion

Overall, we believe that we mostly met our desired level of performance for this result. However, we need to continue improving our validation programs. We also have to develop clear measures and benchmarks for evaluating our performance.

Success Criteria

Internal performance standards for processing benefit payments are met or exceeded.

The service standard for processing applications is achieved.

High overall compliance in relation to our 95% benchmark is maintained.

The target for issuing CPP/EI rulings is achieved.

Highlights

Accuracy – In 2001-2002, several quality assurance projects measured our ability to deliver accurate benefit payments. All suggest we achieved good results. A national review showed an estimated 98% accuracy for our payments and the notices we issue when processing applications for benefits. These results meet our internal performance standards. Another three measurement projects showed that our estimated accuracy rates for account maintenance remained stable (95%, compared to 94% last year).

Substantial work was undertaken to ensure accuracy in all the provincial, territorial, and federal programs that we administer. Specifically, the work focused on the:

- amount of the benefit involved, and any adjustment to the payment caused by changes in family income or family situation, or system changes to implement legislated enrichment of the underlying benefit;
- content of computer-generated notices; and
- validity of eligibility information supporting the claim or the application.



Benefit Programs and Other Services

Along with these quality assurance projects, our Systems Performance Group monitors affected programs every time we update our systems (i.e., following each systems release) and arranges monthly reviews of a random sample of payments and notices. As mentioned earlier, in 2001-2002 we also implemented a comprehensive quality review of the Verse Management System and the automated notices it produces.

To enhance our level of quality assurance, we have devoted significant resources to program validations through the use of a data warehouse and data marts. To support payment accuracy, we:

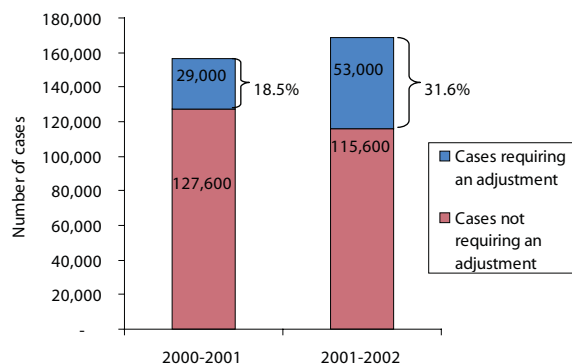
- carry out validation activities to distinguish high-risk clients from those who voluntarily comply;
- adjust individual accounts, where warranted;
- measure rates of non-compliance using statistical samples; and
- correct overpayments and underpayments.

Statistically valid random samples of clients on a national basis suggest that the vast majority (approximately 95%) of our CCTB clients have been fully compliant in recent years. To promote compliance and ensure that correct entitlements are paid, our validation program encompasses three distinct areas of work:

- general validations to reconfirm that all of the information on a client's account is correct;
- targeted validations to address high-risk situations or claims arising from contradictory information contained in our records; and
- special projects to validate a suspected area of non-compliance and to support efforts to better target non-compliant clients using profiling techniques and predictive modelling.

Although our Validation and Controls group is still relatively new, we have established a stable workforce in all areas of the country. In 2001-2002, we placed greater emphasis on targeted validations and increased the total number of accounts we reviewed. In total, we performed 168,600 reviews (18% more than our target), compared to 156,600 in 2000-2001. As Exhibit 40 indicates, the percentage of reviews resulting in either a change to client account information or the amount of benefits we pay increased to 31% from 19% the previous year. Our efforts to improve our targeting of higher-risk accounts are ongoing, and we are continuing our work to develop appropriate benchmarks against which to assess our performance.

Exhibit 40: Number of Cases Reviewed, Number and Percentage of Adjustments



Benefit Programs and Other Services

The Benefit Programs Decision Support System (BPDSS) has been developed to enhance our validation programs by identifying problem areas, determining trends, and targeting areas that need more review (e.g., marital status—the basis for determining family income). As part of the BPDSS, we continue to develop a data warehouse environment that will strengthen our capacity to focus our resources on areas of greatest risk. Data marts improve our spousal account-matching program, support better business decisions, generate performance results, and supply information to the provinces and territories—often to help analyze opportunities for new CCRA business.

BPDSS is the main source for validation workloads, particularly in targeting high-risk situations. It also facilitates ad hoc queries for a variety of child and tax information, and improves the accuracy of program data.

Disability tax credit – The disability tax credit (DTC) is a very complex, sensitive program that requires a high level of accuracy and consistency. We review all claims before approval (and have done so since 1996) and deny an average of 15% of claims. An aging population and recent program enhancements have increased the number of claims. Some restructuring of the system and the new data mart have helped protect the revenues involved, while maintaining a high level of service to persons with disabilities.

During 2001-2002, we initiated a review of all claims accepted between 1985 and 1996. During that time, very few claims were subject to the current level of review. Instead, claims were accepted upon filing, and only a small percentage were later reviewed. Given the significant rejection rate since 1996 for claims subject to review before approval, claims filed between 1985 and 1996 are now being reviewed to ensure that benefits are going to the intended recipients. This is especially important since, under the DTC program, a one-time review can lead to a lifetime benefit. To that end, the CCRA sent letters in the fall of 2001 to approximately 106,000 clients whose eligibility was not clear, based on the information we have on file. The objective is to ensure these individuals still meet the eligibility criteria for 2001 and future years. There will be no reassessment of previously allowed claims.

CCTB debt – To prevent the potential hardship of an interruption of benefits, the first CCTB payment of each new benefit year in July is made to clients who file late, but who are expected, based on historical information from prior-year returns, to remain entitled. Sometimes, this practice results in a CCTB overpayment. CCTB overpayments also result when clients advise us after the fact of changes in their eligibility that result in reduced payments (for example, changes in child custody, marital status, etc.), or because of increases in the number of adjustments from the T1 Matching Program. We may also find out about overpayments through our validation and controls program.

The overall level of the overpayment debt is at \$147 million, which represents about 1.9% of the total annual CCTB payments. This reflects a significant increase over 2000-2001, when the level of debt amounted to about \$116 million, or 1.7% of payments. As this is a substantial amount of debt, we are continuing active debt control measures, including automatically offsetting CCTB debts against T1 refunds and other credits.

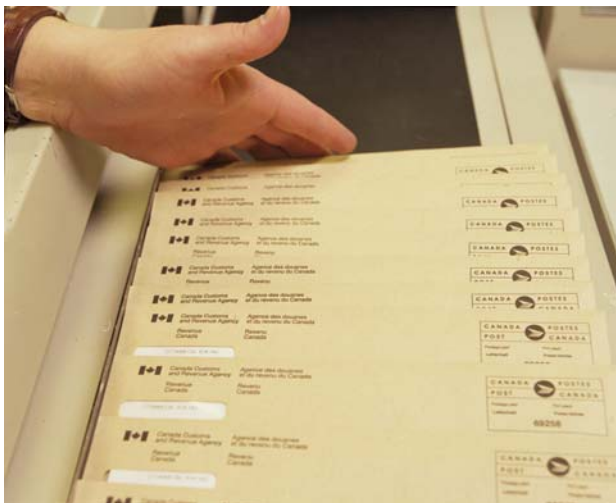
Timeliness of payments – In 2001-2002, we continued our strong performance, issuing over 99% of 34 million CCTB payments and 33 million GST/HST credit payments on time. This demonstrates that the vast majority of Canadians can depend on us for timely payments. Based on a national review, our service standard for processing CCTB applications for benefits and (in most cases) issuing the first new payment for a client was met within established timeframes an estimated 97% of the time—just short of our target of 98%. Because almost all of the provincial and territorial child benefits and credits we administer are linked to the CCTB system and are integrated with the CCTB into a single payment, we are confident that these are also paid in the same timely manner.



Benefit Programs and Other Services

Account maintenance— Our internal performance standard for the CCTB, provincial/territorial programs, and the GST/HST credit is to answer 98% of the correspondence we receive from clients to correct account information, and complete the processing of adjustments initiated by our system, within 20 days. Where the activity on the account as a result of an enquiry requires that a notice be issued, our internal performance standard is to issue the client a notice within two months. Results for 2001-2002 from three separate measurement projects generated an estimated timeliness rate of 80%. While we did not meet our internal standard, performance has improved from an estimated timeliness rate of 76% in 2000-2001, and 57% in 1999-2000. The timeliness of account maintenance will become a service standard in 2002-2003, providing additional impetus to improve our performance.

Other services— We collect CPP/EI premiums and work to provide Canadians with fair, impartial, and reliable rulings and related information on the CPP and EI programs on behalf of Human Resources Development Canada (HRDC). For example, in 2001-2002, we ensured that earnings of \$378 billion and CPP contributions of \$10 billion were posted correctly to the record of earnings file held in HRDC.

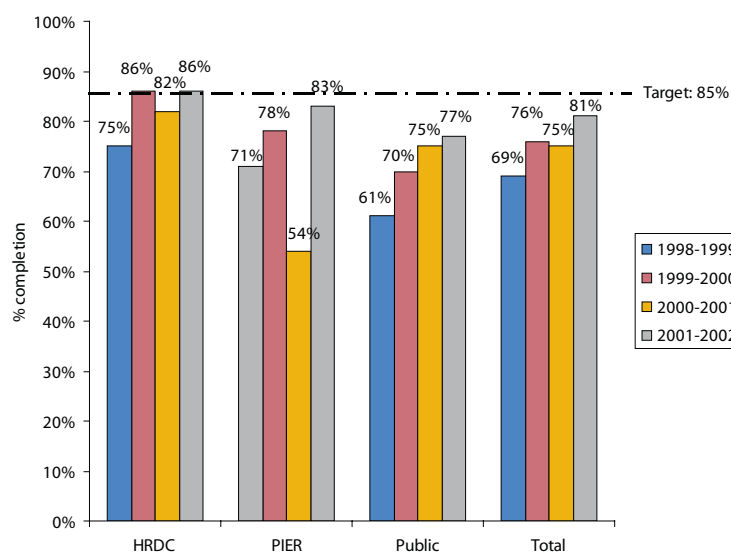


In total, the CCRA responded to over 73,000 requests for rulings last year. Rulings are an important service and are part of the way we help ensure all Canadians are treated fairly under these social benefit programs. This service also provides the public with better program information, which in turn fosters voluntary compliance with CPP and EI legislation. Under our Memorandum of Understanding (MOU) with HRDC, we are committed to processing 85% of HRDC's approximately 27,500 annual requests for rulings within 15 days in cases where a claim is pending, and in 31 days in cases where no claim is pending. As Exhibit 41 indicates, we largely met our completion rates for 2001-2002, processing 84% of referrals where claims are pending and 87% of referrals where no claims are pending within these timeframes (for a completion rate on HRDC-related requests of 86%). We are currently working with HRDC to develop an electronic link between our operations to speed up the processing of rulings requests even further.

Benefit Programs and Other Services

While the MOU with HRDC includes commitments on the timeframes for processing HRDC ruling requests, it does not set any targets for processing requests received from the public. Neither does it set targets for requests generated by other CCRA compliance actions or by the Pensionable and Insurable Earnings Review (PIER) process. However, our internal performance standards are to complete 85% of PIER requests within 90 days of receipt, and 85% of all other requests within 60 days. We were close to meeting our performance standards for PIER requests (83%), but we fell short of our standard for requests from the public (77%). Taking all three types of CPP/EI rulings requests together, our overall completion rate within established timeframes increased from 75% in 2000-2001 to 81% in 2001-2002, somewhat below our target of 85%. We are taking action to close this performance gap.

Exhibit 41: CPP/EI Ruling Requests



EI fraud — As a result of the Auditor General report on EI fraud in British Columbia, as well as recommendations made by the Standing Committee on Public Accounts, the CCRA is taking the steps necessary to enhance our ability to effectively deal with those EI claims for which HRDC suspects fraud or abuse. Complex Case and Technical Review Officer, and Complex Case Officer and Technical Advisor positions have been staffed across the country. The officers will utilize the CCRA's Forensic Document and Investigations areas and will participate in cross-training opportunities with HRDC. New procedures have been developed to improve information-sharing with HRDC without compromising the independence and impartiality of the CCRA. Joint monitoring of select cases will be undertaken to ensure the new procedures are effective.



Benefit Programs and Other Services

Innovating for the Future (Year 2 of 5)

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

Anticipated Result 3

- Anticipated results met
- Good data quality
- Anticipated results mostly met
- Reasonable data quality
- Anticipated results not met
- Weak data quality
- Performance exceeded or did not meet year 2 of 5 expectations with respect to innovation
- Performance on track with year 2 of 5 expectations with respect to innovation

3. Successful leveraging of CCRA systems expands service, eliminates duplication across all levels of government, and reduces overall cost to taxpayers

Conclusion

The CCRA has continued to make sound progress in expanding its partnerships with the provinces and territories. We have met all our commitments for the delivery of benefits and other services for our federal, provincial, and territorial partners, including the development of service management framework agreements. We have maintained our reputation as a key service provider.

Success Criteria

Continued growth in the number of programs administered on behalf of provinces, territories, and other federal departments in a manner that reduces duplication of effort, thereby contributing to a lower overall cost of program delivery.

Delivery on commitments as outlined in the CCRA's Corporate Business Plan.

Effective exchanges of data and continued growth in the number of services provided under agreements with our partners.

Highlights

Our reliable infrastructures and proven expertise in planning and delivering benefit programs and one-of-a-kind payments on behalf of provincial, territorial, and federal partners help position the CCRA as the obvious choice for the delivery of new programs and data supports. Coupled with our commitment to service innovation and continuous improvement, our large and flexible processing systems help us to adapt to our partners' new and evolving requirements. They also enable us to supply necessary data in support of programs we do not administer ourselves.

Data transfers and exchanges – An important aspect of working successfully with provinces and territories to improve program delivery is our ability to provide them with key program information (such as benefit payment amounts and changes in family status) quickly and securely, through data transfers and exchanges.

Benefit Programs and Other Services

In 2001-2002 we completed the implementation of the Benefit Data Synchronization Link with provinces and territories. This link provides the operational backbone for the inter-governmental National Child Benefit initiative. Exchanging data on National Child Benefit Supplement amounts that are paid to social assistance clients within the 12 participating jurisdictions supports more timely and accurate payment of provincial and territorial social assistance to families with children. By ensuring that only information on active social assistance clients is shared with each jurisdiction, the data link respects all privacy requirements. We also transfer data to four provinces where the child benefit programs we administer have replaced social assistance for children. In jurisdictions where additional interactivity is required, data feeds include a secure, immediate-response enquiries service available by both Interactive Voice Response and the Internet.

Data transfers are also in place to provide certain CCTB eligibility and entitlement information or other information collected by the CCRA to several provinces and federal departments. We share this information in support of a number of programs we do not administer ourselves, including the Ontario Child Care Supplement for Working Families, Quebec Family Allowances, and the Employment Insurance Family Supplement. We also provided data to HRDC to support targeted payment inserts designed to make sure more low-income seniors apply for the Guaranteed Income Supplement.

Provincial and territorial benefit and credit programs – We continued to develop and strengthen partnerships with the provinces and territories, successfully negotiating new agreements and adjusting our systems and processes to accommodate the increasing complexity of administering and delivering multiple programs without compromising service delivery.

Two new programs were implemented in 2001-2002. First, the Newfoundland and Labrador Mother Baby Nutrition Supplement was launched in December 2001. This is a monthly supplement for children under the age of one, delivered as a component of the existing Newfoundland and Labrador Child Benefit program. It is the first age-dependent component included in a provincial child benefit program administered by the CCRA. Second, the BC Energy Rebate was issued in May 2001 to an estimated 1.1 million clients in May 2001. This was a one-time payment for the relief of energy expenses.

We now administer the seventeen ongoing provincial and territorial benefit programs and the three provincial one-time payment programs listed in Exhibit 42. Five of the ongoing programs administered by the CCRA were reconfigured either in July or October 2001 for the new benefit year.



Benefit Programs and Other Services

Exhibit 42: Provincial and Territorial Benefit and Credit Programs (2001-2002)

Provincial and Territorial Benefit Programs (2001-2002)	Benefits Paid (\$million)	Entitled Clients (000)	Reconfigured in 2001-2002
Ongoing Benefit Programs			
Alberta Family Employment Tax Credit	73.6	129.4	
BC Family Bonus • includes BC Earned Income Benefit	177.6	200.8	Yes
New Brunswick Child Tax Benefit • includes New Brunswick Working Income Supplement	18.4	36.2	
Newfoundland and Labrador Child Benefit • includes Mother Baby Nutrition Supplement	8.1	20.0	Yes December launch
Newfoundland Harmonized Sales Tax Credit • includes Newfoundland and Labrador Seniors' Benefit	13.5	113.0	Yes
Northwest Territories Child Benefit • includes Territorial Workers' Supplement	2.0	2.5	
Nova Scotia Child Benefit	26.7	33.2	Yes
Nunavut Child Benefit • includes Territorial Workers' Supplement	2.4	2.9	
Saskatchewan Child Benefit	36.5	37.8	Yes
Saskatchewan Sales Tax Credit	26.4	297.2	
Yukon Child Benefit	0.6	1.1	
Total	\$385.8	874.1	
One-Time Payment Programs			
Alberta Energy Tax Refund	311.1	2,053.0	April payment
BC Energy Rebate	76.4	1,100.0	May payment
Ontario Taxpayer Dividend	1.6	8.7	
Total	\$389.1	3,161.7	

We also offered provinces and territories participating in the National Child Benefit initiative the opportunity to include information about their related programs with the CCTB notices we mailed in July 2001 to every CCTB recipient in their jurisdiction. We successfully carried these inserts—at no charge—for the seven provinces and territories who accepted this offer.

One-of-a-kind payment programs – In addition to delivering the BC Energy Rebate, we have begun a two-stage process of shutting down the provincial one-time payment programs that we implemented in 2000-2001 or 2001-2002. This involves:

- ceasing calculations on behalf of late filers or those requesting adjustments; and
- closing the accounting records.

Benefit Programs and Other Services

Other programs and partnerships – In 2001-2002, the CCRA successfully implemented the Nova Scotia First-Time Home Buyers' Harmonized Sales Tax Rebate, to replace the former provincial New Housing HST Rebate program. This represents the first substantive revision of this type of rebate since the harmonized sales tax was introduced. We are also continuing to develop our partnership with the Nova Scotia Workers' Compensation Board (WCB). There are plans in development to amend the 1999 Memorandum of Understanding (MOU), subject to legislated authorization, to allow for the exchange of information on all types of businesses, contractors, and sub-contractors registered with the WCB of Nova Scotia or the CCRA.

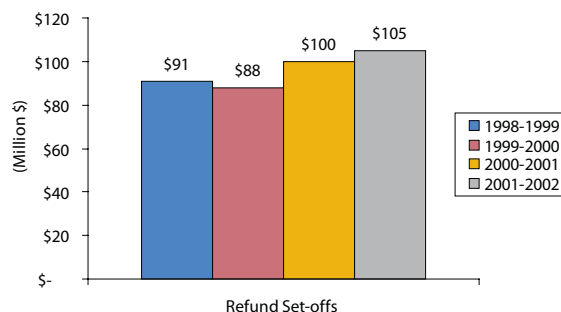
Partnerships with Ontario and Nova Scotia to allow our Business Number to be assigned for provincial business programs are being expanded to other provinces, with work well advanced in New Brunswick, Manitoba, and British Columbia. We are also pursuing partnerships with several other jurisdictions that have expressed initial interest in adopting the Business Number and integrated registration for provincial business programs.

The year 2001-2002 saw the implementation of three new First Nations sales taxes, bringing to eight the number of First Nations sales taxes that have been implemented. The CCRA continued to administer and monitor the existing five agreements through the work of the First Nations Sales Tax Steering Committee. Consultations have begun on the development of an expanded First Nations tax in conjunction with the Department of Finance. We also proceeded with the ongoing work necessary to implement the Carcross-Tagish case, which changes the tax status of certain Yukon First Nations. Furthermore, we developed a Management Framework for Aboriginal Program Delivery, which describes how the CCRA plans, manages, reports on, and reviews its activities related to Aboriginal clients.

We are still unable to precisely measure the incremental costs associated with new services. This will be addressed as part of our agency-wide Activity-Based Costing initiative.

Refund Set-Off Program – We administer the Refund Set-Off program, under which outstanding debts owed by individuals to our federal, provincial, and territorial partners are offset against income tax refunds, GST/HST credit payments, and provincial tax credits. As Exhibit 43 indicates, \$105 million was offset for 2001-2002. This figure represents an increase of 5% from 2000-2001, due to the addition of new programs and partners.

Exhibit 43: Total Refund Set-Off Amounts (\$millions)



Accountability – As part of the CCRA's accountability regime, we provide annual reports to each of the provinces and territories to demonstrate our performance in administering the provincial and territorial programs they have entrusted to us. In addition, the Commissioner offers to meet with each provincial or territorial Minister of Finance or his or her designate to discuss our performance. Our first annual reports covering the 1999-2000 fiscal year were issued in March 2001. The Commissioner met with nine jurisdictions during 2001-2002.



Benefit Programs and Other Services

As a result of the feedback received on these first annual reports to our partners, reports covering 2000-2001 were restructured to provide a separate chapter for each major program administered on behalf of the province or territory; a list of all programs administered for all provinces and territories; and a list of the memoranda of understanding between each province or territory and the CCRA. The implementation of all of these changes resulted in a slight delay in issuing the second set of annual reports, which were printed and delivered in June 2002. An examination of mechanisms to improve timely delivery of the reports has been initiated.

Building on the progress we made last year in developing Service Management Framework agreements with our partners, we signed new agreements in 2001-2002 with Saskatchewan, British Columbia, and the Yukon, to add to the five agreements signed with Nova Scotia, Alberta, Manitoba, Prince Edward Island, and the Northwest Territories in 2000-2001. We also signed a new agreement with Newfoundland and Labrador in May 2002, and are proceeding in our discussions with New Brunswick and Nunavut. While no specific target has been set for signing such agreements, the fact that almost all jurisdictions have concluded agreements with us demonstrates that they are considered to be an important element of our enhanced accountability regime by the provinces and territories.

Our relationships with provinces and territories are summarized in Exhibit 44.

Exhibit 44: Relationships with Provinces and Territories

	Benefit Programs and Other Services										
	Child Benefits and Credits		Other Programs and Partnerships		NCBS Data Exchanges		Program Data Transfers		Service Management Frameworks		Commissioner's Meetings in 2001-2002
	Existing	New	Existing	New	Existing	New	Existing	New	Existing	New	
Alberta	1		1		✓				✓		✓
British Columbia	2			1	✓		✓			✓	
Manitoba						✓			✓		✓
New Brunswick	2										✓
Newfoundland and Labrador	3	1			✓		✓			✓	✓
Northwest Territories	2					✓			✓		✓
Nova Scotia	1		3		✓			✓	✓		✓
Nunavut	2					✓					
Ontario			2		✓		✓				✓
Prince Edward Island					✓				✓		✓
Quebec					✓		✓				✓
Saskatchewan	2				✓		✓			✓	
Yukon	1				✓					✓	
TOTAL	17		7		12		6		9		9

Benefit Programs and Other Services

The Road Ahead

Progress Against the 2000-2001 Road Ahead

Targeted Areas for Improvement*	Targeted Completion Date*	Status	On Track During 2001-2002?	Roll Into Road Ahead 2002 and Beyond?
Better telephone accessibility, including communication of related service standards adapted from existing internal performance standards	2001-2004	In June 2001, we implemented the national 1-800 network for the CCTB, contributing to an increase in caller accessibility from 68% in 2000-2001 to 91% in 2001-2002, exceeding our internal performance standard of 80-85%. We continued to use our existing network for GST/HST credit enquiries, where caller accessibility increased from 68% in 2000-2001 to 71% in 2001-2002. We are exploring how to reach the 80-85% range for these calls. Work on telephone service standards will continue, with the goal to have standards in place for 2003-2004.	☑	Yes See item 3
Introduce service standards for account maintenance, and validation and controls	2001-2002	Service standards for correspondence and account maintenance have been developed. They will be published, along with service standards for validation and controls, in 2002-2003.	☑	Yes See item 7
Introduce new electronic service options, such as a way for clients to make changes to personal data via the Internet	2001-2002	We launched "address change on line" in February 2002. In 2002-2003, we will convert to a secure channel Public Key Infrastructure (PKI) solution that is being developed for government-wide application. We also launched SIMNET, a self-help feature that allows clients to estimate their benefit entitlements.	✓	No Fully implemented
Children's Special Allowance (CSA) on the Internet	2001-2002	The number of agencies that used our more efficient electronic services option increased from 5% in 2000-2001 to over 15% in 2001-2002. These agencies care for over 50% of all children for whom the CSA is paid. Continued expansion of electronic services is expected.	✓	No Fully implemented
Improve delivery of GST/HST credit program and shortened response times	2001-2003	In July 2001, we delivered the first phase of this multi-year initiative. The second and largest phase is on track for delivery in July 2002.	✓	Yes See item 2
Improve disability tax credit program	2001-2004	New provisions for life-sustaining therapy were fully implemented. Began first phase of review of DTC claims made between 1985 and 1996.	✓	Yes See item 9
Improve client awareness and satisfaction	2001-2002	In August 2002, we undertook our second survey of client satisfaction with the benefit application process.	✓	Yes See item 1
Improve cash flow for businesses and simplify Workers' Compensation Board (WCB) administrative processes	2001-2004	We provide payment processing services for Industry Canada and the Nova Scotia WCB. In January 2002, we implemented a new platform capable of processing non-CCRA payments and electronically transmitting daily account information. The platform will support the addition of new clients as they come on board.	✓	Yes See item 12



Benefit Programs and Other Services

Targeted Areas for Improvement*	Targeted Completion Date*	Status	On Track During 2001-2002?	Roll Into Road Ahead 2002 and Beyond?
More effective use of the data warehouse and related tools	2001-2004	More effective use of the Benefit Programs Decision Support System has already resulted in a substantial shift from general to targeted validations. Work is continuing to focus on high-risk clients, using computer-based profiling.	✓	Yes See item 8
Meet timeframes established in MOU with HRDC for CPP/EI rulings	2001-2003	We are currently working to develop an electronic link with HRDC, to process CPP/EI rulings requests more quickly.	☑	Yes See item 10
Develop a model for demonstrating cost savings	2001-2004	We help provinces and territories appreciate the potential cost savings they can realize by taking advantage of CCRA program administration.	✓	Yes See item 15
Implement the CCRA's performance measurement framework	2001-2004	In step with the broader implementation of the Balanced Scorecard Initiative, work progressed on the development of the Balanced Scorecard measures and indicators. However, at a corporate level, the Agency did not progress as expected, falling short in the overall phased-in implementation of the BSC (see page 197). We are now back on track in 2002-2003.	✗	Yes See item 17

✓ On track

☑ Mostly on track

✗ Not on track

**Source: Prior-year Annual Report to Parliament (2000-2001)*

Benefit Programs and Other Services

The Road Ahead – 2002 and Beyond

Anticipated Result 1

1. Continue to conduct client satisfaction surveys.
2. Implement the second phase of GST/HST credit responsiveness.
3. Continue to explore how to increase telephone accessibility for GST/HST credit calls and to reduce telephone queue wait times for CCTB and GST/HST credit enquiries so that we can achieve our internal performance standards.
4. Improve the effectiveness of notices that communicate individual account information to benefit clients.
5. Better focus and target communications activities to increase already high take-up rates, and to ensure that all Canadians receive all the benefits to which they are entitled.

Anticipated Result 2

6. Continue to close the performance gap in processing benefit account maintenance adjustments.
7. Publish service standards for correspondence, account maintenance, and validation and controls.
8. Implement a new case management system for activities related to validation and controls. This will lead to better project analysis, statistical reporting, and measurements of effectiveness. We will develop additional targets, increase monitoring, and conduct more research.

9. Begin subsequent phases of review of disability tax credit claims.
10. Continue to close the performance gap in processing CPP/EI rulings requests.

Anticipated Result 3

11. Pursue our business development strategy with the provinces, territories, and other government departments to further leverage our program delivery infrastructures and data support capabilities.
12. Pursue new external clients for the CCRA's payment processing services.
13. Develop a feedback mechanism to improve the content and timeliness of the Commissioner's annual reports to the provinces and territories.
14. Continue to negotiate Service Management Framework agreements with the remaining provinces and territories (New Brunswick and Nunavut in particular) and fulfill commitments laid out in existing agreements.
15. Continue to examine ways to collect information on estimates of cost-savings that CCRA program administration entails.
16. Continue to expand the Business Number and integrated registration for provincial and territorial business programs

For the entire business line

17. Continue implementation of the Balanced Scorecard to provide more effective and unbiased reporting of our successes and performance gaps for decision-making purposes.



Benefit Programs and Other Services Attachment 1

Attachment 1: Logic Model

This following logic model offers a roadmap showing the links between our inputs, activities and outputs that are essential to achieving our anticipated results in support of our expected outcome. It also shows how these fit into the Agency's overall strategic outcomes. This logic model is the foundation of our performance report card which summarizes our performance against each anticipated result.

Benefit Programs and Other Services Logic Model						
Mission: Promote compliance with tax, trade, and border legislation, thereby contributing to the economic and social well-being of Canadians						
Inputs	Key Activities	Outputs	Anticipated Results	Success Criteria	Expected Outcome	Strategic Outcome
Resources (human, financial, and capital) Individual income and identification information Legislative framework (federal, provincial, and territorial)	Client services	Communications products for new and existing clients Telephone enquiries handled Web-based interactive facilities Responsive programs	Program communication and delivery is fair and responsive to recipients' needs	Benchmarks for client satisfaction Meet or exceed internal performance standards	Canadians receive their rightful share of entitlements	Canadians comply with tax, trade, and border legislation
	Benefit Payments Processing	Canada Child Tax Benefit payments GST/HST credits Provincial/Territorial child benefits, credits, and one-time payments Working income supplements Seniors' benefit Children's Special Allowance payments Disability tax credit claim validations CPP/EI rulings Validation and controls activities	Entitled recipients receive accurate and timely payments and credits	Meet or exceed internal accuracy and timeliness performance standards Achieve service standard Maintain high overall compliance rate		
	New programs and services for provinces, territories, and other levels of government	BC Energy Rebate Newfoundland and Labrador Mother Baby Nutrition Supplement National Child Benefit Supplement data exchanges Program support data transfers Refund set-offs Business Number and Workers' Compensation Board partnerships First Nations sales taxes Service Management Framework agreements	Successful leveraging of CCRA systems expands services, eliminates duplication across all levels of government, and reduces cost to taxpayers	Increase number of programs, data exchanges, and services administered	Provinces/ territories and other government departments rely on the CCRA as a key service provider	The CCRA is a leading-edge service organization



Customs Services



Customs Services

Rating System



Anticipated results met

Rating is based on good data quality – Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results mostly met

Rating is based on reasonable data quality – Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results not met

Rating is based on weak data quality – Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods

Variance



Year-over-year performance improved for **Managing the Compliance Continuum**



Year-over-year performance remained unchanged for **Managing the Compliance Continuum**



Year-over-year performance declined for **Managing the Compliance Continuum**



Performance exceeded expectations for year 2 of 5 for **Innovating for the Future**



Performance on track with expectations for year 2 of 5 for **Innovating for the Future**



Performance did not meet expectations for year 2 of 5 for **Innovating for the Future**



Customs Services

About Customs Services

The Customs program is one of the most complex and challenging operations in government today. In a constantly changing environment, we have a dual mandate to protect the health, safety, and security of our citizens, and to support the competitiveness of Canadian business at home and abroad.

We administer numerous acts, regulations, and international trade agreements on our own behalf and on behalf of other government departments and agencies. At the border, we process goods and travellers, monitor and control the import and export of controlled and restricted goods, interdict contraband, and prevent the entry of prohibited materials and inadmissible persons.

Over the coming years, increased attention to security issues will continue to drive Canada's collaborative efforts with the United States to enhance border security and efficiency.

We also continue to foster partnerships with many other countries to support international security efforts, and to promote free access to world destinations and markets for Canadian travellers and businesses. Since the events of September 11, our challenge is to maintain a border that is secure but that still allows for the efficient flow of legitimate trade and travel. This is key to Canada's economic growth and development.

Some of our key activities are listed below:

Key Volumetrics

- 102 million travellers processed (a decline of 8% owing to the decrease in international travel following September 11)
- 4.6 million customs examinations (31% increase in rate over 2000-2001, owing to increased vigilance after September 11)
- 10.8 million commercial releases processed
- 165,441 commercial importers served;
- \$3.3 billion in gross import duties collected
- \$21 billion in GST/HST collected; \$343 billion in imports processed
- Seizures with an estimated value of \$460 million
- Enforcement of 47 *Special Imports Measures Act* (SIMA) findings, providing protection to \$13.9 billion of Canadian production

Our line of work is distinct from the other CCRA business lines, with a history and culture that date back over a century. We operate in a real-time environment, providing service at over 480 air, sea, and land border points, at some locations 24 hours a day, 7 days a week. Our work force is diverse, encompassing a wide range of specialized skills and totalling approximately 8,000 people during peak periods.

Customs Services

Spending Profile

In 2001-2002, 16% (\$560 million) of the CCRA's overall budget was devoted to the Customs business line. This represents an overall increase of roughly \$64 million (13%) since 2000-2001. The bulk of this increase (approximately \$60 million) was directed to enforcement activities, which now account for roughly 15% of the Customs budget. Expenditures in this area include the purchase of contraband detection equipment and research and development respecting new and emerging threats as well as activities like our detector dog program and Flexible Response Teams.

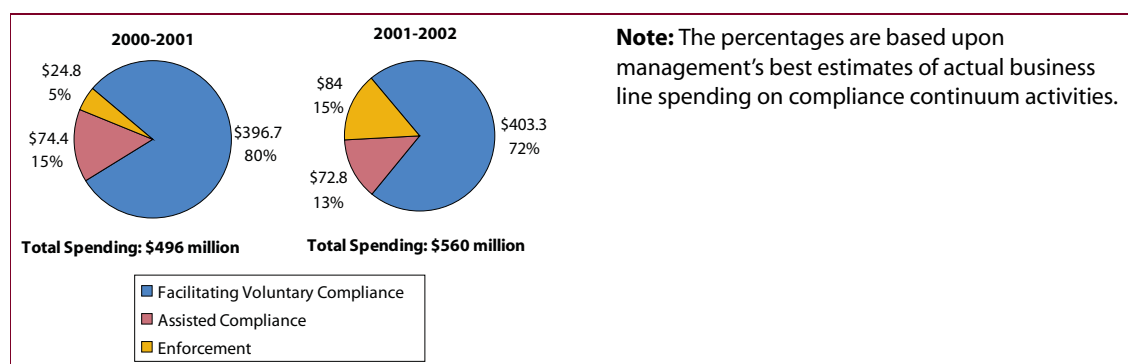
Exhibit 45: Business Line Spending

Customs Services	1999-2000	2000-2001	Percentage Increase	2001-2002	Percentage Increase
Planned Spending ^a (\$000)	422,658	460,138	8.9%	464,518	1.0%
Allocation of Authorities ^b (\$000)	483,226	515,430	6.7%	602,227	16.8%
Actual Spending (\$000)	479,302	495,885	3.5%	560,189	13.0%
Planned FTEs ^c	7,559	7,918	4.7%	7,902	-0.2%
Total FTE Authorities ^c	7,811	7,992	2.3%	8,304	3.9%
Actual Number of FTEs^d	7,001	7,206	2.9%	7,348	2.0%

- Planned Spending is the Agency published Main Estimates (spending approved by Parliament at the beginning of the fiscal year).
- Total spending authority provided by Parliament for the fiscal year. It includes Main Estimates plus any in-year Supplementary Estimates and year-end approvals.
- Estimates of FTEs based on Parliamentary approved Planned Spending and Authorities for dollars.
- For 2001-2002, the allocation of Information Technology Branch resources to this business line is done on a different basis than the authorities and the previous years, making year-over-year comparison difficult. The CCRA is taking steps to better align these Authorities and Actual data by business line.

As shown in Exhibit 46, the largest share (72%) of the Customs budget was spent on facilitating voluntary compliance through activities such as our Primary Inspection Line at which individuals arriving in Canada make their initial declaration to one of our over 3,600 uniformed officers. Assisted compliance activities continue to account for roughly 13% of our overall budget (a small decrease in spending from the 15% indicated last year.)

Exhibit 46: Total Customs Resources Allocated to Compliance Continuum





Customs Services

Evaluating Our **Overall Performance**

We Have One Expected Outcome

Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management –While it has assumed greater importance over the past year, security has always been a priority for us in carrying out our work to achieve our expected outcome. Finding the right balance between security and economic objectives is a continuous process that must respond to changes in the environment. We therefore aim to have in place the right mix of activities, within the constraints of our funding, to ensure responsible border and trade management, guided by sound risk assessment and partnerships. This mix, along with the right tools and a strong service component to inform businesses and individuals of their obligations under the laws, is intended to encourage compliance with Canadian trade and border legislation. We also work to provide a level-playing field for traders by promoting a consistent and predictable customs environment as well as protecting domestic producers from injurious trade practices. Finally, to protect our borders and facilitate trade, we need to deliver our programs through a skilled and knowledgeable work force of sufficient size to meet workload volumes.

Performance Context

This past year is distinguished by new initiatives, new key legislation, and new international agreements. Changes such as the passage of the new *Anti-Terrorism Act*, amendments to the *Customs Act* in support of the Customs Action Plan, and new collaborative arrangements with our partners gave us new responsibilities and tools in support of our expected outcome. These included the ability to impose graduated administrative penalties for violations of customs laws, enhanced levers for gathering intelligence information, and co-ordinated continental security efforts. We made progress in putting into practice these new responsibilities and tools. With new funding and enhanced risk management practices, we are streamlining the movement of low-risk trade and travel and focusing on areas of higher and unknown risk to provide Canadians with a more efficient and secure border.

High-Level Success Criteria

In broad terms, we will have met our expected outcome if:

- we provide enhanced enforcement that identifies and responds to threats;
- we understand compliance issues across the Customs program and have in place a functional plan to manage the associated risks;
- we have in place responsible services that encourage voluntary compliance without compromising security; and
- we promote a more stable and certain environment for trade transactions.

Customs Services

Conclusions Against Expected Outcome

Our operating environment was significantly affected by the terrorist attacks on the United States on September 11. Our immediate response and top priority was to address the increased security requirements within North America. The terrorist attacks also injected new urgency into our partnership efforts with the United States to ensure a secure border that is open to legitimate trade and travel. As a result, we advanced a number of milestones related to key initiatives in our Customs Action Plan (which emphasizes risk-based processing, self-assessment, advance information, and pre-approval) and are now working with the United States and our partners in Canada to enhance the scope of other initiatives under the Canada/U.S. Smart Border Declaration.

Our effective and swift handling of the aftermath of September 11 underscores our ability to protect Canadians at our borders in the face of unprecedented threats to our security, without stopping the flow of legitimate goods and travellers across the border. This extraordinary event aside, in all other matters, we believe that we mostly met our expected outcome of protecting Canadians' health, safety, security, and business interests and supporting Canada's economic growth through responsible border and trade management.

Our effective and swift handling of the aftermath of September 11 underscores our ability to protect Canadians at our borders in the face of unprecedented threats to our security... in all other matters, we believe that we mostly met our expected outcome.

Our judgement, based on currently available data, is that travellers and traders generally comply with border requirements. Sample test results, while not statistically reliable, suggest border compliance rates ranging from 91% to 97% for travellers and commercial businesses, which account for the large majority of entries. However, a preliminary review of books and records for a sample of importers in three priority areas suggests that compliance with classification and valuation requirements for some imported goods (steel, textile, and footwear) may not be as high as we had initially anticipated. Error rates in the sample group range from 19% to 31%. Further analysis will assess the reliability of these results as well as the degree of compliance with other priority trade areas, with the objective of identifying and addressing sources of non-compliance with trade legislation.

While wait times for travellers entering Canada through major points of entry mostly met our service standard before September 11, these times understandably increased significantly as a result of enhanced security measures immediately following the events of that date.

We have worked very closely with the U.S. to realize the Canada/U.S. Smart Border Declaration and we continue to contribute at the international level to the standardization of import and export processes.

Our conclusions are largely based on a qualitative assessment of our performance, and more work is needed to develop a more robust and comprehensive set of performance indicators.

Exhibit 47, The Customs Services Report Card, provides a one-page summary of our performance against each of our six anticipated results. From page 110 to page 133, we discuss in detail these findings and our conclusions, using detailed success criteria that are built on the high-level criteria.



Customs Services

Exhibit 47: Customs Services Performance Report Card

Customs Services Report Card						
Expected outcome – Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management						
	Anticipated results	This year's ratings	Last year's ratings	Variance	Actual results as demonstrated by	Page
Managing the Compliance Continuum	1. Enhanced enforcement that expeditiously identifies and responds to threats to the security, health and safety of society, and to Canada's economy				<ul style="list-style-type: none"> ■ We continue to combat the smuggling of contraband such as drugs, firearms, pornography, alcohol and tobacco through the use of intelligence, contraband detection, and most importantly, the skills and abilities of our customs officers. ↑ As a result of the September 11 attacks, our customs officers were mobilized to process the many U.S.-bound planes that were diverted to Canada. We immediately increased our screening of passengers and goods to detect any movement related to terrorism. ↑ Significant new investments made in contraband detection equipment to address emerging and ongoing threats. ■ We continued to negotiate with several other government departments to strengthen our ability to identify and respond to external threats of all kinds. ↑ We completed eight investigations, which resulted in 41 country-specific actions, to protect Canadian industries from dumped or subsidized imports. 	111 113 114 112 115
	2. Effective compliance management that enhances personal and economic security, and encourages partnerships and sustained compliance.				<ul style="list-style-type: none"> ■ Random samples suggest that travellers and traders generally comply with border legislation. We expect to have a better sense of overall border compliance levels next year, when the three-year cycle to measure the overall rates of compliance at the border is completed. ■ We are currently developing a long-term systems solution for analysing the results of post-release verifications. A preliminary review of these verifications indicates potentially significant compliance issues involving the classification and valuation of transactions. ↑ We began implementing the first phase of a new penalty regime—the Administrative Monetary Penalty System (AMPS). It will expand to incorporate travellers in the future. ↓ We have not progressed as quickly as we had anticipated with our Compliance Improvement Plan. 	117 117 120 120
	3. Responsible services that encourage voluntary compliance and minimize the compliance burden without compromising security.				<ul style="list-style-type: none"> ↑ Our front line maintained the intense vigilance required and at the same time processed travellers and goods as quickly as possible to minimize any negative impact of backlogs at the border after September 11. ↑ We refined and reintroduced our land border permit programs (i.e., NEXUS and CANPASS) to include heightened security screening. ↑ To assist travellers and traders in planning their route into Canada and travel time, we published regular updates on wait times on our Internet site. This Web page received in excess of 8,000 hits a day. ■ Our annual survey indicates that about three fourths of all Canadians continue to feel that Customs is doing a good or very good job. 	121 122 122 124
	4. Certainty and consistency for international trade and travel.				<ul style="list-style-type: none"> ■ We continued to demonstrate leadership at international forums such as the World Customs Organization, and to participate in Government of Canada trade initiatives, to help Canadian businesses compete more effectively. ↑ We continued to work with the U.S. on such initiatives as the 30-Point Action Plan under the Canada/U.S. Smart Border Declaration (December 2001), to ensure the economic well-being of both countries by keeping a more secure border open to legitimate trade and travel. 	125 126
	5. Knowledgeable and skilled workforce supported by the appropriate tools, information and technology to meet current and future program needs.				<ul style="list-style-type: none"> ↑ We completed the first phase of the Customs Human Resources Plan to evaluate and plan for the workforce we will need by 2005-2006. ■ New training challenges will continue to emerge, including training required to accommodate new tools and technology resulting from the implementation of the Customs Action Plan and the Canada/U.S. Smart Border Declaration, which will stretch our resource capacity even further ↑ Our annual survey indicates that about 90% of Canadians who had dealings with Customs feel that Customs staff are knowledgeable and competent. ↑ The number of recruits for our Customs Inspector Recruitment Training Program (CIRTP) has more than doubled, from 108 in 2000-2001 to 396 this year. It is expected to reach 738 next year. 	127 127 127 128
Innovating for the Future (Year 2 of 5)	6. Core business is under transformation to better meet our mission				<ul style="list-style-type: none"> ↑ We exceeded our performance expectations for year 2 of our change agenda, as demonstrated by: ↑ We accelerated implementation of a number of initiatives under the Customs Action Plan (CAP) to enhance border security and facilitate trade and travel. In particular, those elements of the plan that provide for greater security and protection through enhanced screening of goods and travellers were revised and accelerated. ↑ In recognition of the CCRA's key role in the government of Canada's security agenda, funding, in the amount of \$433 million, was set aside from the Public Security and Anti-Terrorism funding to strengthen border security and facilitate legitimate trade and travel. 	131 114

Customs Services

Contributions of Others

Not all of our accomplishments or lessons learned are solely attributable to the CCRA. We depend on strong alliances with other government departments (OGDs) and agencies, both in Canada and abroad, to facilitate trade and travel, protect the health and safety of Canadians. We work closely with other organizations, such as the RCMP, to gather and share intelligence to target, disrupt, and dismantle illegal and terrorist activity. We also work with our national and international partners to implement measures and develop international rules and practices that will help facilitate legitimate trade.

Our job is made easier through the support of a strong legislative foundation that promotes compliant behaviour by providing penalties and other sanctions for non-compliance. We depend on the flexibility of the legislative system to recognize new challenges and provide new tools and powers for protecting Canadians, and their economic interests, within the global village.

Over the past year, we have worked productively with our key government partners. We worked in partnership with Citizenship and Immigration Canada to find better ways to target inadmissible travellers and expedite the clearance of low-risk travellers. We worked with the Canadian Food Inspection Agency to prevent the importation of animals and plants that could spread disease or pests to Canadian crops and herds, such as Foot and Mouth Disease. We worked with Environment Canada to protect endangered species. We also worked with Health Canada to control the importation of communicable diseases and to check for controlled goods such as pharmaceuticals. We also partner with Transport Canada and the private sector to help provide the infrastructure needed to effectively move travellers and traders through our borders in the safest and most expeditious manner possible without compromising security. Nurturing ongoing relationships with our OGD partners, clients, and stakeholders is key to developing an effective compliance management regime.

Logic Model

We have prepared a Customs Services logic model (see page 108), which offers a roadmap showing the links between the inputs, activities, and outputs that are essential to achieving our six anticipated results in support of our expected outcome. The roadmap also shows how these fit into the CCRA's overall strategic outcomes. This logic model is the foundation of our Performance Report Card which summarizes our performance against each anticipated result.

Discussing Our *Performance* by Anticipated Result

We assess our performance for the Customs Services business line against six anticipated results as they relate to our expected outcome: *Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management.*



Customs Services



Ratings are provided for each anticipated result. They show whether our performance met (green), mostly met (yellow), or did not meet (red) the results. We provide a separate rating on the quality of the information upon which we based the assessment. As with other business lines, we assess our performance against two themes: managing the compliance continuum and innovating for the future.

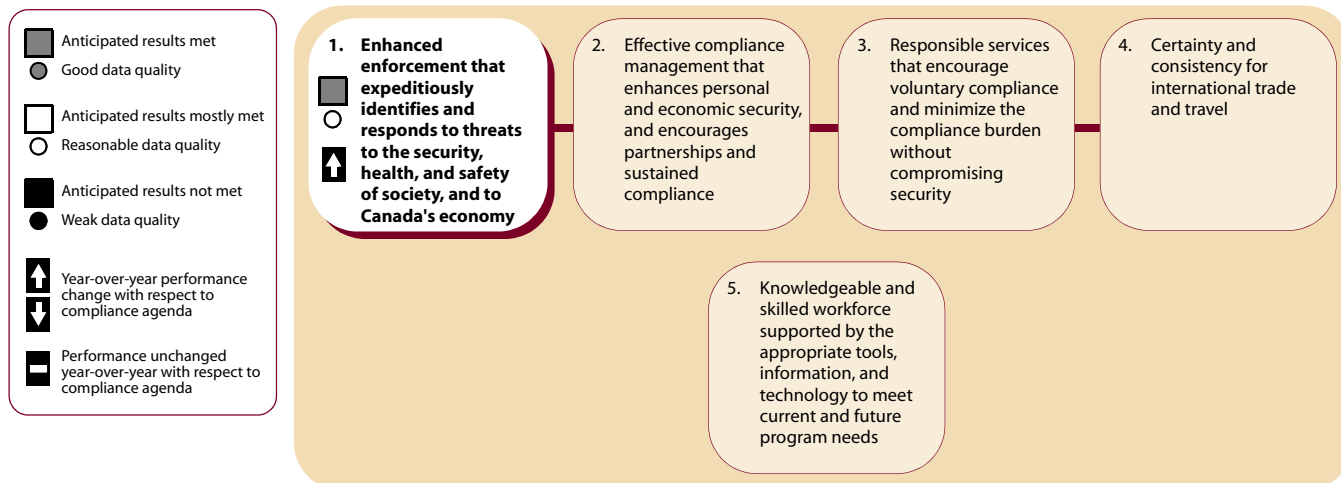
On balance we continue to meet our expected outcome. As shown previously in the “Customs Services Performance Report Card”, (Exhibit 47), our overall performance on a year-to-year basis was sustained with some improvements shown against each of our anticipated results. The following pages provide further detail to these results.

Customs Services

Managing the Compliance Continuum

Expected outcome: Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management.

Anticipated Result 1



Conclusion

We met our anticipated result in spite of a dramatically changed threat assessment and amid national and international concern for security. At the same time, we facilitated the international flow of goods in support of a sound economy.

Success Criteria

Continue to interdict a significant percentage of the total contraband goods seized by Canadian enforcement agencies.

Prompt and appropriate response to all known cases of a significant threat to the health, safety, or security of Canadians.

Timely response to requests from Canadian industries for protection against dumped or subsidized imports causing injury.

Highlights

Enforcement activities are at the far end of the compliance continuum and do not, for the most part, directly affect the majority of Canadians. Enforcement, however, is a very important part of what we do, as enforcement means interdicting the criminal element, whether that be international terrorists, drug cartels, arms dealers, organized crime, or threats to our revenue base. Priority areas include terrorism, drugs, weapons, proceeds of crime, missing children, alcohol, and tobacco. Last year we reported on our enforcement activities midway through our accounting of our performance, reflecting the societal values and priorities at the time. The terrorist attacks on the United States changed the North American psyche, and elevated security concerns in everyone's mind. In this report, we will deal with those concerns in a more direct way than we did before the events of September 11.



Customs Services

During the course of a regular day, we continue to combat the smuggling of contraband such as drugs, firearms, pornography, alcohol, and tobacco through the use of intelligence, contraband detection equipment, and most importantly, the skills and abilities of our customs officers. The total value of seizures in 2001-2002 was \$460 million. Our drug seizures alone, valued at \$426 million, accounted for roughly 50% of all drugs seized in Canada last year by all enforcement agencies. As indicated in Exhibit 48, our extra efforts in the priority areas have resulted in more enforcement relative to contraband goods.

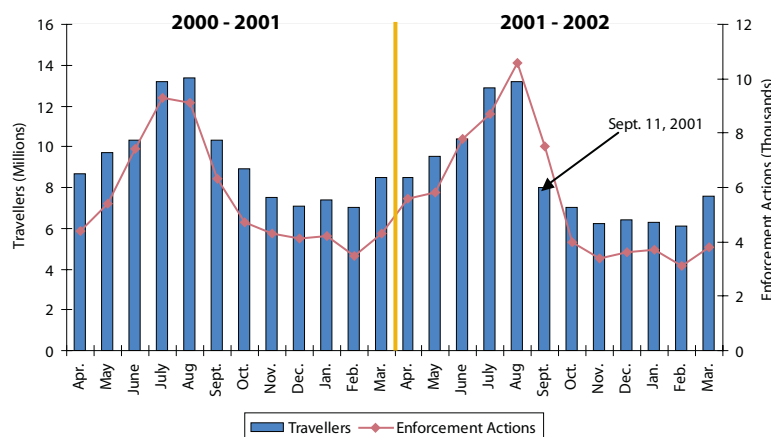
Exhibit 48: Enforcement Activities Represented as a Percentage of Total Customs Seizures

National Seizures Priority Commodities	Percentage of total seizures		
	2001-2002	2000-2001	1999-2000
Drugs	34.4%	33.6%	31.2%
Alcohol	15.2%	16.7%	18.5%
Tobacco	9.6%	10.5%	11.5%
Weapons	11.0%	10.5%	10.7%
Jewellery	6.0%	6.7%	7.0%
Prohibited material (i.e. child pornography)	1.0%	0.9%	1.3%
Other commodities	22.8%	21.0%	19.8%
Total	100.0%	100.0%	100.0%

In 2000-2001, Customs made 19,292 seizures compared with 19,937 in 2001-2002. Although not included in the preceding chart, our accomplishments in the context of the Government's Our Missing Children Program are particularly noteworthy; our efforts resulted in the return of 93 children to their families in 2001-2002.

Volumes of travellers at the border dropped 21% in September 2001 compared with the previous year, while enforcement actions began to decline in October 2001. This in spite of an increased rate of examinations (examination rates rose from an average of 3.6% before September 11, to 5.2% after that date). Volumes for both travellers and enforcement actions continued to lag by 10-20% for the rest of the fiscal year. The reduced volumes combined with the increased vigilance of customs officers at points of entry may have contributed to the lower number of seizures over the entire year. Recent trends in volumes and enforcement actions in the Travellers operation at the border are displayed in Exhibit 49.

Exhibit 49: Traveller Volume and Enforcement Actions: Trends in Enforcement



Customs Services

In addition to the traditional duties outlined above, our Officer Powers Program, introduced at 18 sites in 2000-2001, continued to roll-out across the country. We designated a further 948 officers with the power to arrest individuals for violations of the Criminal Code, such as impaired driving, outstanding warrants, possession of stolen property, and abduction. Although we had initially targeted 14 new sites for implementation in 2001-2002, we elected to defer the execution of Officer Powers in eight of these locations, thereby allowing the substantial costs of refurbishing these sites to be absorbed by the building operators rather than the CCRA. We plan to implement the program at an additional 22 sites in the coming fiscal year. Results of enforcement activities under Officer Powers are detailed below, in Exhibit 50.

Exhibit 50: Officer Powers Enforcement Activities (2001-2002)

Officer Powers Enforcement Activities (2001-2002)					
	Impaired Driving	Outstanding Warrants	Stolen Property	Abduction	Other Criminal Code Offences
Total Incidents	1,285	705	74	28	354

Enforcement is supported through our ongoing contact with other government departments as well as domestic and international law enforcement and customs agencies. In 2001-2002, the CCRA undertook to update its memoranda of understanding (MOUs) to reflect the current environment. We continued work on a number of umbrella or annex MOUs including ones with the Canadian Food Inspection Agency (CFIA), Health Canada, Environment Canada, and Natural Resources Canada. Our efforts with respect to the CFIA, especially as they relate to the threat of Foot and Mouth Disease, are of particular note and are detailed in Exhibit 51.

Exhibit 51: Results of Foot and Mouth Disease Study

Foot and Mouth Disease Study from April 6 to June 1, 2001, including 25 airport terminals	
Number of travellers processed	2,516,884
Number of referrals to CFIA	118,756
Footwear disinfected by CFIA	10,598
Other articles disinfected by CFIA	1,119
Animals inspected by CFIA	1,234
Farm workers referred to CFIA	2,212
Travellers complaints	7
CFIA AMPS penalties	29
Total seizures	13,897



Customs Services

The tragic events of September 11 demonstrated clearly that we live in a world of real risks and that secure, but efficient, borders must be our top priority. We responded immediately in the aftermath of the September 11 attacks on the United States, to ensure the safety of Canadians and our American neighbours. In order to support the increased intensity of examinations, we also increased our use of overtime and part-time staff, cancelled leave, and reassigned resources from less critical activities. Our officers diligently maintained the intense vigilance required, and at the same time processed shipments and travellers as quickly as possible in order to minimize the negative impacts of short-term backlogs at the border on the Canadian and American economies.

During the months that followed, we were key participants in top-level discussions with American officials, culminating in December 2001 with the signing of the Canada/U.S. Smart Border Declaration. Since then, we have been active partners with the U.S. in carrying out the ambitious 30-Point Action Plan to tighten border security and keep legitimate goods and people moving efficiently across the border.

With the implementation of the Customs Action Plan (CAP) well under way, we were already making significant strides to improve the way we protect the personal and economic well-being of Canadians, making us a key player in the Government's national security agenda. After careful review, we confirmed that the Customs Action Plan's foundation of risk-based processing made even more sense in the post-September 11 world, and that its principles of self-assessment, advance information, and pre-approval remained sound.

Under the 1995 Shared Border Accord, the four Canadian and American customs and immigration agencies work together on a number of fronts to build a border that not only addresses the challenges of today, but also those of the future. The teams are now working on joint programming initiatives that enhance security at international airports and seaports as well as enhance the security and efficiency at the shared border. Of the 30 initiatives, the CCRA is responsible for eight that ensure the secure flow of goods and people, and we have made significant progress on these fronts.

Temporarily suspended after September 11, the NEXUS highway pilot project at Sarnia/Port Huron was reinstated on December 21, 2001 (see Exhibit 58 on page 122). NEXUS streamlines the movement of low-risk travellers across the Canada-U.S. border, while at the same time ensuring a significantly enhanced level of security. There has also been encouraging progress in developing NEXUS-Air, which provides similar streamlining utilizing state-of-the-art technology to confirm the identification of travellers. In addition, discussions proceeded with the U.S. on the development of an Advance Passenger Information (API) initiative to pre-screen international travellers and identify those of high risk, before they arrive in either country. Originally a CAP initiative, API was accelerated and expanded from pilot project status, to full implementation now scheduled for the fall of 2002 at major airports.

Similarly, significant progress was made to harmonize commercial processes. By the end of the year, we had agreement on the essential elements of the joint Canada-U.S. Free and Secure Trade (FAST) initiative, based on existing Canadian (CSA) and American (C-TPAT) pre-approval programs. FAST will make many cross-border commercial shipments simpler, cheaper, and subject to fewer delays—while enhancing security. It establishes a public-private partnership to improve security measures throughout the entire supply chain. Companies that make the commitment to improve their supply chain security will enjoy the benefits of a “fast lane” for commercial truck traffic.

Another key achievement on the commercial side was the establishment of a joint initiative at Canadian and American seaports to target in-transit marine containers arriving in Canada and the U.S. Since March 25, 2002, U.S. customs inspectors have been working at the Vancouver, Montréal, and Halifax container targeting units, with Canadian inspectors in Newark, New Jersey, and Seattle, Washington.

Customs Services

In fiscal year 2001-2002 customs officers interdicted \$6,080,000 thought to be directly linked to international criminal activity. The seizure of these monies interferes with illegal activities, such as the purchase of drugs and weapons, as these are cash-only activities. Our role in this respect has been expanded under the new *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. This legislation, enhanced by way of the *Anti-Terrorism Act* of 2001, provides new law enforcement tools to detect and deter money laundering and other activities including those that finance terrorism. Customs' role will be to ensure that information about cross-border movements of money is provided to a new central analysis agency.

After September 11, we received an immediate infusion of \$6 million to acquire contraband detection technology to help identify contraband and terrorist-related goods. This was in addition to a previous allocation of \$8.5 million in June 2001, which allowed us to continue to research and acquire new equipment to address ongoing and new threats. This research furthered our work with the Department of Foreign Affairs and International Trade (DFAIT) and the Solicitor General regarding our capacity to respond, detect, and prevent chemical, biological, radiological, nuclear, and explosive threats. Of the more than \$600 million dedicated to border security and facilitation in the December 2001 Budget, \$433 million was set aside for CCRA over six years, allowing us to expand current programs, fast-track upcoming programs, and develop new initiatives.

Customs designs and delivers contraband-related courses on a national and international level. The objective is to provide quality enforcement training to Canadian customs personnel and international customs administrations. In 2001, we provided training to the Caribbean Customs Law Enforcement Committee and also hosted an international Marine Conference at the Marine Centre of Expertise in Halifax.

The sharing of information and expertise has long been a part of our strategy to disrupt and dismantle the illegal flow of goods and people across our borders. Our participation in the law enforcement community both internationally and in Canada has directly contributed to a number of important enforcement actions. Seizures such as those listed in Exhibit 52 (resulting from joint operations with other enforcement agencies) are a direct disruption of illegal activity. They sometimes provide further information, which is developed and shared in the enforcement community, and can lead to the dismantling of criminal organizations through the arrest and conviction of the individuals involved.

Exhibit 52: Joint Forces Operations (JFO) – Results 2001-2002

JFO Seizures	#	Value
Drugs	31	\$47,584,406
Alcohol	7	\$18,240
Tobacco	4	\$73,680
Firearms	14	\$16,900
International proceeds of crime	4	\$1,434,100
All other commodities not listed	120	\$1,664,730
Actions by other Canadian agencies	31	\$1,182,440
Actions by other countries	30	\$26,856,682

In 2001-2002, we continued to work on the implementation of the non-resident provisions of the new *Firearms Act* and regulations that came into force on January 1, 2001, as part of Canadian inland security measures. From April 1, 2001, to March 31, 2002, customs officers documented, on behalf of the Department of Justice, 77,162 non-residents coming to Canada with firearms to hunt, attend sport shooting competitions, or gun club events, or who were in transit through Canada.



Customs Services

Behind the scenes, the CCRA works with the Canadian International Trade Tribunal (CITT) to administer the *Special Import Measures Act* (SIMA), which provides measures of redress against dumped and subsidized goods. We also enforce the surtax provisions of the Customs Tariff, which afford a certain degree of protection against low-priced, injurious imports. Canadian producers who believe they face unfair foreign competition in the Canadian marketplace look to the CCRA to combat the damage caused by these imports.



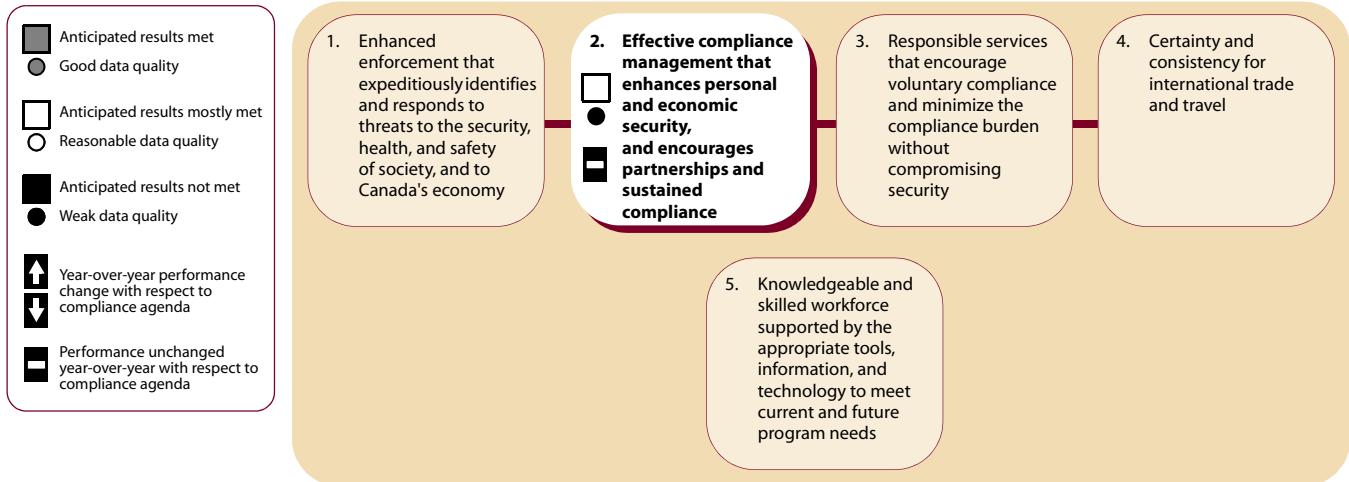
During the year we completed eight investigations involving the dumping or subsidizing of 6 commodities from 24 different countries. Seven of these investigations covered two or more countries, resulting in a total of 41 country-specific actions (compared to 11 investigations completed last year resulting in 20 country-specific actions). As a result, anti-dumping and/or countervailing duties were placed on garlic, concrete reinforcing bars, corrosion-resistant steel sheet, hot-rolled steel sheet, cold-rolled steel sheet, and leather safety footwear. In addition to collecting \$44.2 million in SIMA duties, these measures resulted in the protection of an estimated 51,331 jobs representing \$13.9 billion in production.

Customs Services

Managing the Compliance Continuum

Expected outcome: Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management.

Anticipated Result 2



Conclusion

We believe that we have mostly met our responsibility to manage Customs compliance in order to enhance the personal and economic security of Canadians.

Success Criteria

Overall compliance with customs requirements should remain high.

Compliance with requirements of other government departments and agencies should also remain high, as a result of effective partnerships.

Highlights

As the CCRA is Canada's principal border agency, our compliance mandate for Customs is to ensure that all people and goods entering and exiting Canada do so in accordance with all Canadian laws and regulations, including those of other government departments. Our primary objective is to provide protection to Canadian society and businesses with minimal intrusion into the flow of legitimate goods and travellers. We can achieve this objective by separating high-risk traders and travellers from those who are more likely to comply with legislative requirements. The key to doing this is to manage our operations on the basis of risk. We assess the risk of non-compliance across the entire Customs program in order to establish where risk exists, and then focus our compliance improvement efforts according to that risk. We are evolving from a risk management system based largely on experience and judgement to one that is also supported by more rigorous assessments of compliance.



Customs Services

As a measure of our program effectiveness, and in an attempt to establish reasonable benchmarks for performance, we have been studying compliance across our Customs program for a number of years. In 2001-2002, we completed the second year of a three-year random sampling cycle in an effort to measure the overall rates of compliance at the border, by mode. Different border points are targeted in each year of the cycle, and results for individual years may vary for several reasons, including differences between sites or limited coverage. When viewed together, however, the results for the first two years provide a preliminary indication of compliance levels by mode. Our judgement based on these figures (Exhibit 53) and other information is that travellers and traders generally comply with border legislation. Next year, when the three-year cycle is completed, we expect to have a better sense of overall border compliance levels.

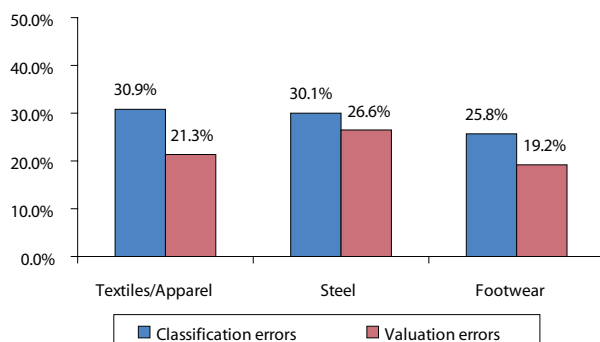
Exhibit 53: Border Compliance: In-Year Cycle Results

Compliance Measurement Program 2 Years of 3-Year Cycle (Preliminary Estimates)				
	In-Year Cycle Results			3-Year Compliance Rate
	YR1	YR2	YR3	
Commercial	2000-2001	2001-2002	2002-2003	
Highway Commercial	95.9%	95.1%	TBD	TBD
Air Commercial	91.3%	91.3%	TBD	TBD
Marine Container	89.0%	81.8%	TBD	TBD
Postal	95.8%	90.3%	TBD	TBD
Courier	93.8%	94.8%	TBD	TBD
Air Travellers	94.0%	97.0%	TBD	TBD
Land Travellers	97.0%	97.0%	TBD	TBD

TBD: to be determined

To gauge the degree of compliance with trade legislation, we verify the books and records of a random sample of importers to ensure that they have met all trade requirements. While our current methodology is not sufficiently robust to draw firm conclusions, a preliminary assessment of 74 post-release verifications in 3 priority commodity areas (textiles/apparel, steel, and footwear) suggests a high error rate with respect to the classification of commodities and the valuation of commercial transactions for these commodities in 2000-2001. Error rates in the sample group range from 19% to 31% (Exhibit 54). Further analysis will assess the reliability of these results and the degree of compliance in other priority trade areas, with the objective of identifying and addressing sources of non-compliance with trade legislation.

Exhibit 54: Post-Release Verification: Preliminary Results 2000-2001



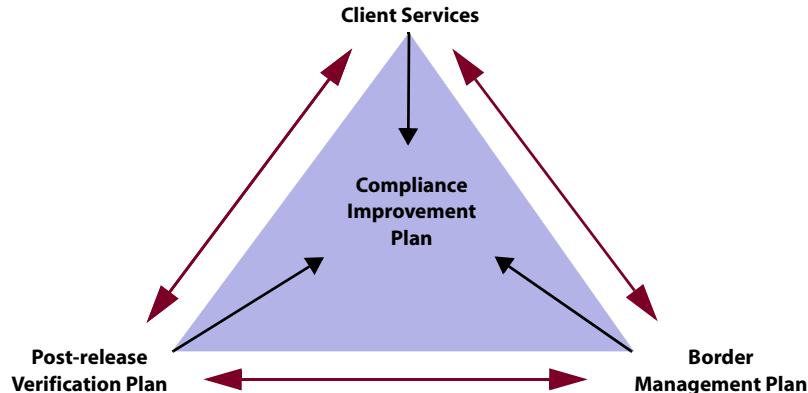
Customs Services

In 2001-2002 we implemented two new post-release verification methodologies: the Compliance Assessment Review (CAR) and the New Verification Process (NVP). CAR is a multi-program methodology used to diagnose compliance vulnerabilities in priority areas. It offers a simpler, less labour-intensive, diagnostic approach that should result in shorter production times than the previous methodology. NVP is a more focused and targeted approach, and replaces the previous single-program methodology. NVP will be used to correct non-compliance and monitor compliance improvement, based on trends identified through the diagnostic results, across a broader client population. In 2002-2003 we will be developing time standards and completing a manual for both processes.

The foregoing measures of compliance are part of the Compliance Improvement Plan (CIP), a planning process that incorporates all of our compliance strategies. The first plan was developed and implemented in 2000-2001, and it is revised and reissued annually. The CIP consists of sub-plans (Exhibit 55):

- Border Management, with priorities related to immigration, contraband, health and safety, and other front-line issues;
- Post-Release Verification, which focuses on trade administration priorities such as NAFTA origin requirements and anti-dumping and countervailing measures; and
- Client Services, designed to foster voluntary compliance through fairness, quality information, and efficient and electronic and personal service delivery.

Exhibit 55: Compliance Improvement Plan Components



Under the client services component of the CIP, we have been working to provide education and services to our clients through trade shows and outreach activities to promote their compliance with border and trade requirements (Exhibit 56). We have also invested heavily in technology to help compliant individuals and traders identify themselves to us.



Customs Services

Exhibit 56: Customs Outreach Activities 2001 – 2002

• 265 client visits
• 364 information sessions
• 669 mail-outs
• 74 sessions on Duty Deferral Program
• 208 visits to schools
• 161 detector dog demonstrations
• 29 presentations on “Our Missing Children” program.

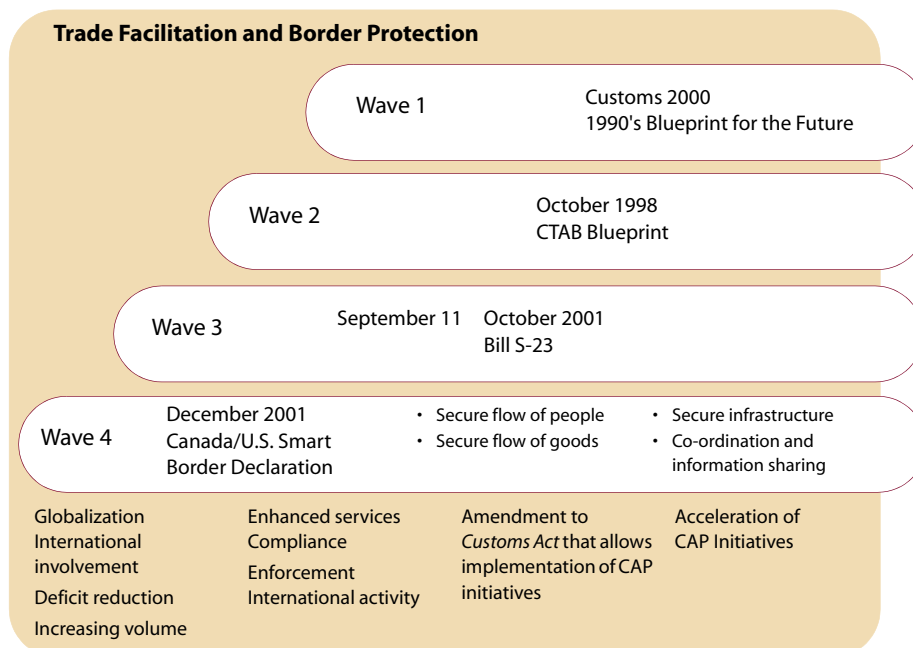
At the other end of the compliance continuum, we began implementing the first phase of a new penalty regime—the Administrative Monetary Penalty System (AMPS)—that authorizes graduated penalties for violations of customs laws. This system has a two-fold approach. First it educates the importer or traveller with respect to areas of concern at the first signs of non-compliance and allows for corrective action. Second, it provides graduated penalties for chronic or flagrant non-compliance. The first phase of AMPS implementation focused on the commercial sector. At a later stage, travellers will be incorporated into the system.

We recognize that we have to develop clearer measures of our performance. We have not progressed as quickly as we had anticipated with the CIP. As we move forward, we will be developing improved measures of compliance, establishing priorities for post-release verification based on trade risk, and introducing performance standards to serve as benchmarks for the continuous improvement of our programs and services.

Our sense that the vast majority of travellers and traders comply with border and release requirements has directed our strategic thinking over the past several years, driving us to find ways to process legitimate travellers and traders through our borders more quickly so that we can focus our efforts on those who do not comply. As discussed under Anticipated Results 1, 3, and 6 we have been aggressively exploring new ways of delivering our services and targeting non-compliance throughout the customs program. Beginning with the Customs Blueprint, whereby we consulted our partners, stakeholders, and employees, and culminating with the Canada/U.S. Smart Border Declaration in December 2001, the “Four Waves” (Exhibit 57) are shaping the Canadian border of the future. More and more, our continued emphasis on risk-based processing, self-assessment, advance information, and pre-approval allow us to stream travellers and traders with a known history of compliant behaviour through automated or accelerated processes. This frees up customs personnel to focus on areas of higher or unknown risk.

Customs Services

Exhibit 57: Customs Four Waves



At a strategic level, we continued to research best practices in risk management in other areas of the CCRA for possible application to customs; we integrated the Compliance Improvement Plan (CIP) planning process with the agency-wide planning process; and we developed interim procedures for reporting CIP results until funding is available to develop automated reporting systems. The major focus for the CIP in the coming year will be the continued development of a performance measurement regime within the context of the CCRA Customs Balanced Scorecard. Given that the CIP continues to evolve, each year's activities bring new insight to the process.

Key to developing effective compliance management regime is nurturing our relationships with our partners and other government departments (OGDs) to ensure that we have a comprehensive understanding of their requirements and expectations for import control. We have been working with OGDs to assess the viability of using post-release verification to supplement border examinations and to ensure compliance with their programs.

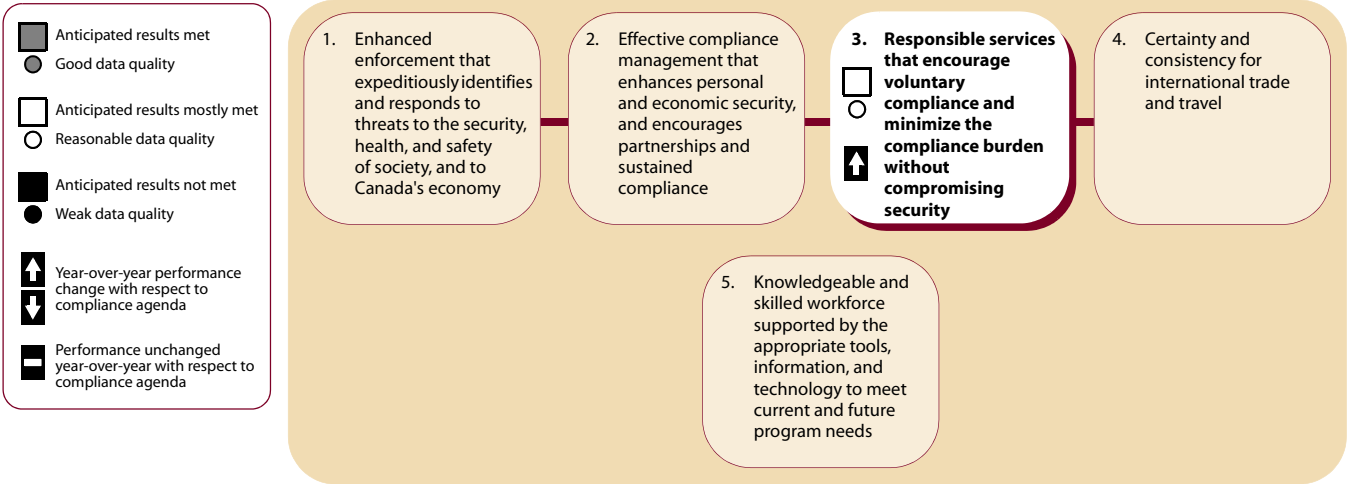


Customs Services

Managing the Compliance Continuum

Expected outcome: Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management.

Anticipated Result 3



Conclusion

We believe that we mostly met our goal of providing responsible services to travellers and traders without compromising security.

Success Criteria

Meeting service standards.

Maintaining or improving overall client satisfaction relative to our 2000-2001 benchmark.

Prompt and appropriate reallocation of resources from service to protection measures in response to extraordinary circumstances.

Highlights

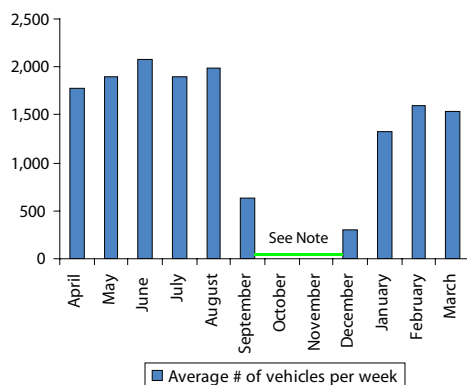
While last year we spoke of “improved services,” this year we have made it clear that these are responsible services designed to nurture compliance and facilitate legitimate trade and travel. Over the last decade, the emphasis has been on facilitating the cross-border movement of goods and people to enhance tourism and the competitiveness of Canadian business. We did not compromise protection—we were always aware that an open border was not an unprotected border. This past year, however, has brought a new dimension to the challenge of achieving our expected outcome. Since the events of September 11, there has been a much stronger emphasis on the security of our borders. Our goal is to build a border that is secure, but one that still allows the efficient flow of the legitimate international trade and travel that is so vital to our economic growth and prosperity. This concept is fundamental to all we do.

In the days immediately following the terrorist attacks on the United States, we suspended a number of services, particularly in the air mode. For example, customs services at 201 airports across Canada were suspended on September 12, 2001. On September 14, 2001, operating under a heightened level of security, we restored customs service for regularly scheduled flights at 13 international airports and 27 smaller airports.

Customs Services

To ensure the safety of the Canadian public, we initiated an extensive review of the provision of customs service across Canada. We temporarily suspended some of our more facilitative programs to ensure they met the stringent requirements associated with the heightened state of security. After considering factors such as traffic volumes, geographic location, availability of resources, and the impact on local economies, we restored customs service at 121 airports of entry and 53 CANPASS permit sites by the end of the fiscal year. A number of additional sites have since resumed service on a cost-recovery basis. Careful review was also given to the resumption of CANPASS Private and Corporate Air Programs. The NEXUS land-border permit program, which facilitates the cross-border movement of frequent low-risk travellers, was refined to include enhanced security measures and was reintroduced by the end of the fiscal year (Exhibit 58).

Exhibit 58: NEXUS Use April 2001 – March 2002



Note: NEXUS was suspended following the events of September 11, but was later reinstated with a broader scope and escalated mandate.

Highway wait times generally fell within our published service standards of 10 minutes during the weekdays and 20 minutes on weekends and holidays, during the first five months of the fiscal year. As a result of enhanced security verifications in the days immediately following September 11, wait times at points of entry into both the United States and Canada increased significantly. This created uncertainty for traders and travellers who usually received prompt service. Throughout the year we have monitored and reported on wait times at our border points, escalating this effort to an hourly reporting throughout the period immediately following September 11. Border delays and unpredictability have negative consequences for both trade and tourism. Shortly after September 11, we began to publish information on wait times on our Internet site as a service to travellers and traders. The information we made available included periodic reports about the typical wait times observed for commercial and passenger traffic destined for Canada and for the United States. This information served as a guide to assist in trip planning or routing choices. This Web page received in excess of 8,000 hits a day. A message was also placed on the Automated Customs Information Service (ACIS) phone line advising the public to expect delays at the border and to carry appropriate identification.

Providing strong and cohesive services to our clients continues to be a top priority. Our Client Services Program supports this priority through the delivery of a number of key initiatives identified in our annual client services plan. The goal of the Client Services program is to provide the needed information, assistance, and support to external clients in an effective, efficient, and fair manner, so that these clients understand their obligations and comply with customs requirements and those of other related programs. Clients will be provided with more accessible and convenient service through enhanced electronic service delivery, which at the same time will reduce the reporting requirements and compliance costs. In addition, clients are provided relevant information resulting from the post-release verification process alerting them to areas of concern.



Customs Services

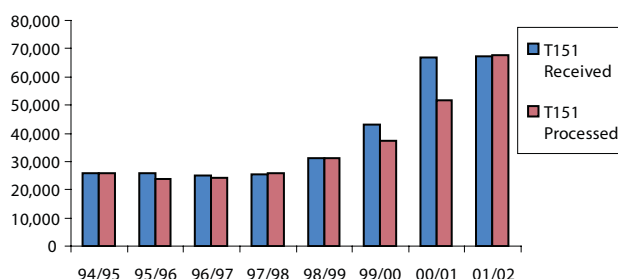
2001-2002 was a very successful year for the Client Services Program. We have met our commitments, including:

- 364 information sessions that were attended by approximately 15,000 clients;
- 265 visits to client premises to provide information and assistance; and
- regional and district staff participation in 90 trade shows, attended by approximately 263,000 people.



Measuring the effectiveness of client service continues to be a challenge. Although we believe that Canadians will comply with the laws if they are aware of them and understand them, proving the link between education, information, assistance and improved compliance is difficult to achieve. We have, however, observed that the number of voluntary amendments to accounting documents has almost tripled since the mid-nineties when we initiated a more structured client service regime designed to encourage compliance through education (see Exhibit 59).

Exhibit 59: Voluntary Amendments



Customs Services

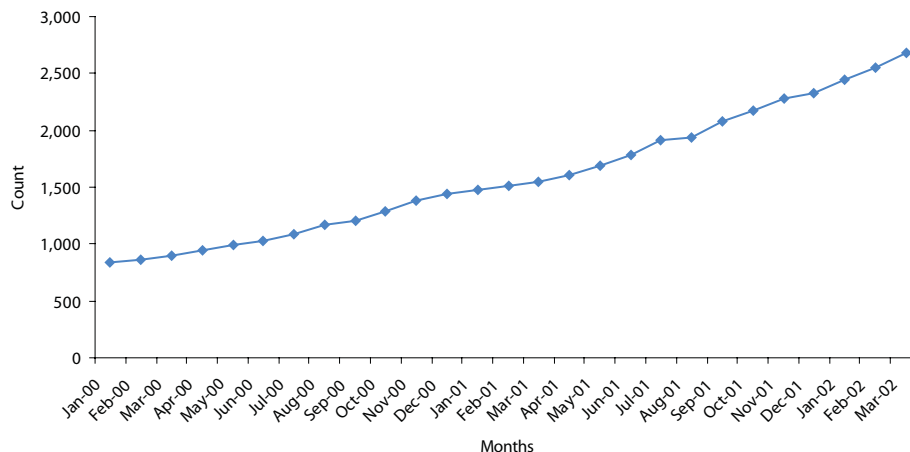
We advanced the use of electronic service delivery to improve accessibility, reliability, and stability through electronic, telephone, and other communications channels, as illustrated by the following three initiatives:

The **Automated Customs Information Service (ACIS)** provides an automated telephone service using state-of-the-art technology on a 1-800 network. ACIS currently operates through two call centres in Saint John, New Brunswick, and Winnipeg, Manitoba. Information scripts are now updated faster, which ensures clients receive more accurate information. ACIS can now measure call accessibility rates. Current reports indicate a high accessibility rate of 96%.

In 2001-2002, 59% of the information pertaining to commercial releases was transmitted through **electronic data interchange (EDI)** for processing through the Accelerated Customs Release Operations Support System (ACROSS). Major improvements to ACROSS have resulted in a substantial reduction of unscheduled outages. In fact, unscheduled outage durations have decreased by over 40% from the previous year to 51 hours in 2001-2002.

To encourage clients to file export documentation, we introduced the **Customs Automated Export Declaration (CAED)**. CAED permits our clients to complete and submit export declarations electronically, making compliance with export requirements easier and reducing the paper burden. CAED allows screening of goods before shipping, in support of our international commitments and foreign policy objectives, such as the International Traffic In Arms Regulations. By March 31, 2002, there were 1,242 new CAED participants—88% more than the previous fiscal year. The growth in CAED participation is illustrated in Exhibit 60.

Exhibit 60: CAED Participation



Of the respondents consulted as part of the CCRA Annual Survey in 2001, 77% rated the CCRA as doing a good or very good job when it comes to customs. These results are consistent with the 75% seen the previous year. Further, 32% felt that the CCRA does a very good job in the customs area, a significant increase from 25% in the previous year. In addition, 98% reported that they were able to get service in the official language of their choice, a marked improvement over 91% in 2000.

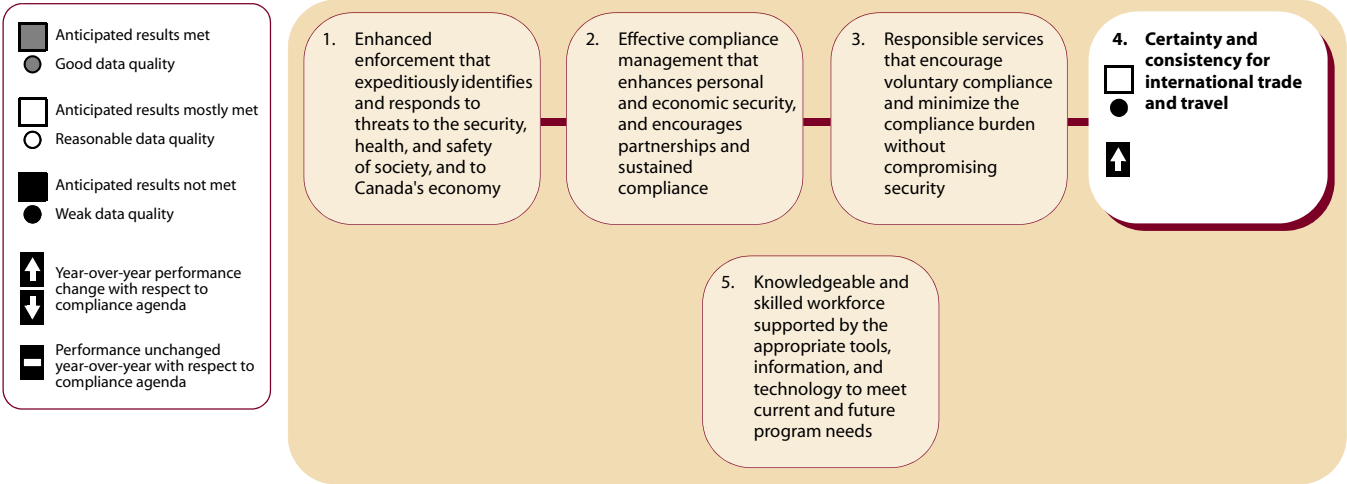


Customs Services

Managing the Compliance Continuum

Expected outcome: Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management.

Anticipated Result 4



Conclusion

In our judgement, we have mostly met our responsibility to provide certainty and consistency for exporters and Canadians travelling abroad. We achieved this through our extensive efforts to promote Canadian best practices and export them to international organizations such as the World Customs Organization (WCO), World Trade Organization (WTO) and Asia-Pacific Economic Cooperation (APEC), as well as through our ongoing collaboration with the Department of Foreign Affairs and International Trade. We are continuing to build on these successes, particularly through our work in the Americas and under the Free Trade Area of the Americas (FTAA) negotiations.

Success Criteria

A secure border with the United States that facilitates the movement of low-risk people and goods.

Successful negotiation and maintenance of agreements to harmonize and simplify trade and promote consistent and predictable requirements for travellers.

Adoption of Canadian recommendations by international forums.

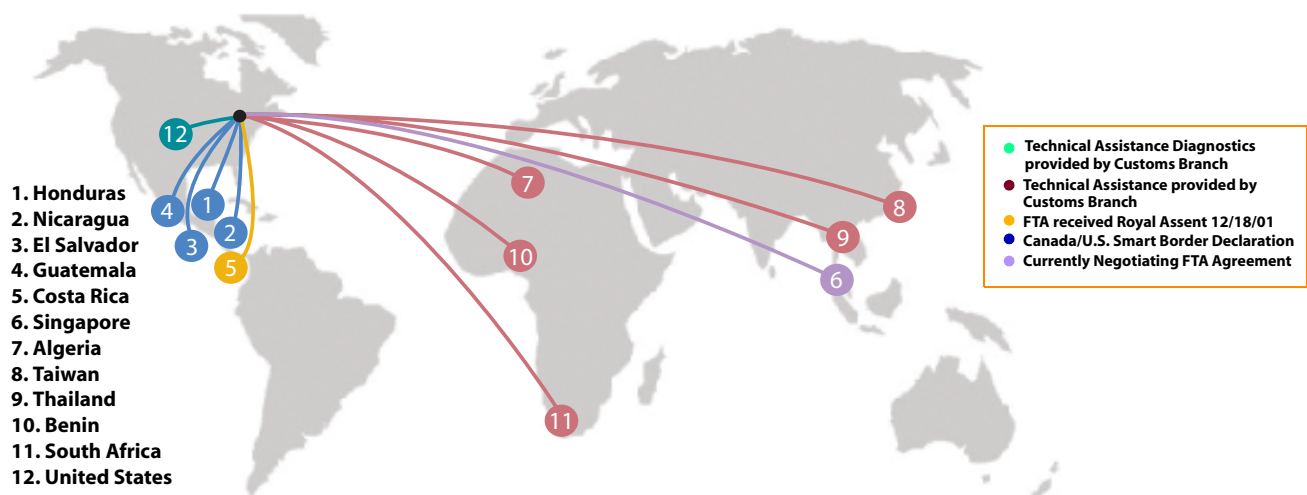
Highlights

The CCRA has been actively involved in promoting Canadian interests in order to help Canadian businesses compete more effectively. This has meant negotiating international customs rules and requirements, and harmonizing and simplifying customs standards. We continued to demonstrate leadership at international forums, such as the World Customs Organization (WCO), the World Trade Organization (WTO), and the Asia-Pacific Economic Cooperation (APEC). We participated in the development of international agreements, such as the WTO Agreement, the North American Free Trade Agreement (NAFTA), and the customs aspects of various WTO agreements, and many other free trade agreements with Chile, Israel, Costa Rica, and the Free Trade Area of the Americas (FTAA).

Customs Services

In 2001-2002, the CCRA implemented a full cost-recovery program for the international technical assistance it provides to other countries. We provided technical assistance to APEC member countries in Thailand, and participated in seminars for WCO and WTO members. In addition, missions to Taiwan and Indonesia were undertaken as part of the APEC Customs Action Plan, specifically relating to the courier initiative that implemented the WCO Express Clearance Guidelines. An ambitious technical assistance program was developed for the upcoming years. We established firm technical assistance agreements with Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, St. Lucia, Lithuania, and Benin. We are undertaking planning or diagnostic visits to a number of those countries, as well as to Latvia, the Organization of Eastern Caribbean States (OECS) countries, and potentially to Senegal, Lesotho, Kenya, and Nigeria (Exhibit 61).

Exhibit 61: The CCRA's Role in Promoting Certainty and Consistency at the International Level



The CCRA actively supported Canada's negotiations for several free trade agreements, including the FTAA, the Canada-Central America Four (Guatemala, El Salvador, Nicaragua, and Honduras), and Singapore. Preparatory work was also undertaken for the potential negotiation of free trade agreements with other organizations, such as CARICOM. The goals for these negotiations were achieved, and a successful conclusion was reached with the Canada-Costa Rica Free Trade Agreement.

Improving the secure flow of goods and people at the border is a key priority for Canada and the United States, as both countries have a critical stake in each other's economic security. On December 12, 2001, John Manley, then Minister of Foreign Affairs, and Tom Ridge, U.S. Director of Homeland Security, signed the Canada/U.S. Smart Border Declaration. The bilateral declaration outlines our shared commitment to develop a border that securely facilitates the free flow of legitimate goods and commerce. It includes a 30-Point Action Plan for Creating a Secure and Smart Border, and both countries agreed to four priorities relating to border management: the secure flow of people, the secure flow of goods, the security of infrastructure, and co-ordination and information sharing in the enforcement of these objectives. The 30 points are being negotiated by different Canadian and U.S. government departments and agencies, and the CCRA has the lead for 8 of these initiatives: Single Alternative Inspection; Advance Passenger Information; Ferry Terminals; Harmonized Commercial Processing; Clearance Away From the Border; Joint Facilities; Customs Data; and In transit Container Targeting at Seaports. A progress report on all 30 points was presented to Prime Minister Chrétien and President Bush prior to their meeting in June 2002.

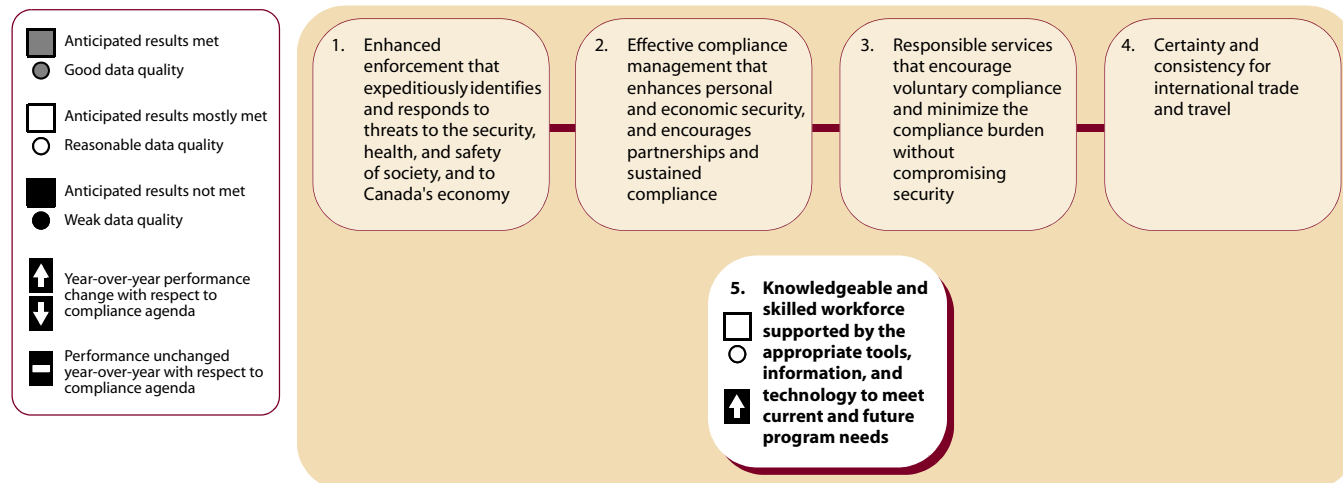


Customs Services

Managing the Compliance Continuum

Expected outcome: Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management.

Anticipated Result 5



Conclusion

We believe that we have mostly met our goal of ensuring a knowledgeable and skilled workforce. Despite minor timing issues for customs inspector training, significant improvements were made in areas such as client services/compliance verification officer training, and the Customs Human Resources Plan. Training and learning efforts need to be continued to improve on these results even further.

Success Criteria

Meeting recruiting and training targets.

Demonstrated ability of our employees to meet challenges posed by extraordinary events.

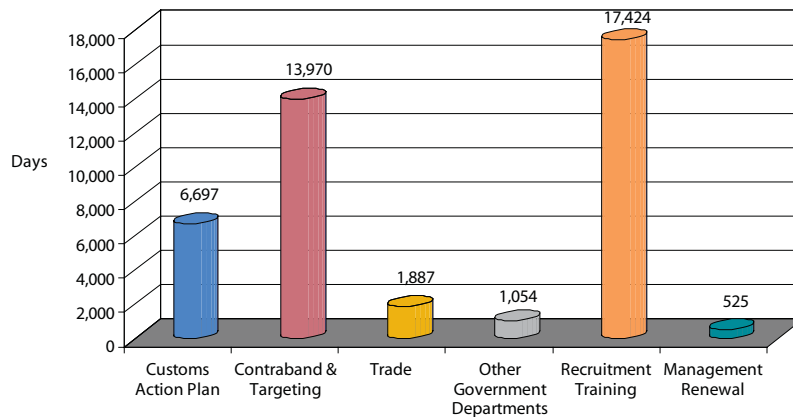
Highlights

A knowledgeable and skilled workforce is the cornerstone of a successful Customs program. Our annual survey indicates that about 90% of Canadians feel customs staff are knowledgeable and competent. To ensure quality delivery of customs programs in the future, we have developed the Customs Strategic Human Resources Plan, which examines solutions for providing our workforce with the appropriate tools, technology, and information. The first phase, the Customs Human Resources Profile of 2005, is our vision of the customs organization and workforce in 2005, along with national job profiles for the positions of customs inspector, compliance verification officer, and client services officer. These job profiles outline the skills and knowledge that will be needed in 2005, and provide the foundation for the training and learning strategies that will be developed to meet those needs in the coming years.

With the revised schedule for Customs Action Plan initiatives, delivering training and developing skills will present a challenge for our 24/7 operations. This challenge is being addressed at all levels of the organization through working groups and networks. As displayed in Exhibit 62, a total of 41,532 training days was delivered in 2001-2002.

Customs Services

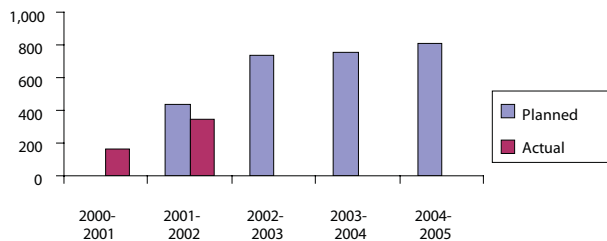
Exhibit 62: Customs Training Days in 2001-2002



The Trade Training and Learning working group has finalized a new, generic, national, introductory course. The working group, which is comprised of regional and headquarters functional specialists, is developing a national core curriculum and a long-term learning strategy for beginner, intermediate, and senior compliance verification officers during 2002-2003. This training will be transferable to client services officers and appeals officers.

We have implemented training programs to develop and maintain skills in the customs program. In 2001-2002, the newly designed Customs Inspector Recruitment and Training Program (CIRTP) was offered to 396 recruits. We had planned to train 435 recruits in 2001-2002; however, due to accommodations issues we had to adjust our expectations. Plans are under way to rapidly expand the number of classes in order to accommodate 738 recruits for 2002-2003. Details of our planned, actual, and forecasted training are displayed in Exhibit 63.

Exhibit 63: Recruitment Training – Planned and Actual



The increase in student numbers adds to the immediate need for improved processes and tools to consistently collect, consolidate, and analyze data for ongoing program evaluation and continuous improvement of the CIRTP program. To that end, Price Waterhouse Coopers conducted an evaluation of the new training program on behalf of the Human Resources Branch, Training and Learning Division, and it has confirmed that the new CIRTP training has a high level of learner success.

Officer Powers training was delivered at an additional six sites. We initially identified 14 new locations for training and implementation; however, we chose to defer the implementation of Officer Powers training and implementation at 8 sites until a later date, as the \$2 million in costs to refurbish each site will be absorbed by the building operators instead of the CCRA.



Customs Services

The national Management Renewal Program delivered 6 soft skills development workshops to 105 Customs program superintendents, chiefs, and managers. The five-day workshops focused on the CCRA's Leadership Program Management Simulation, and included other leadership teaching points, customs program information, and discussion sessions.

A training plan was developed in 2001-2002 consisting of a list of courses being offered to the regions. To further determine training needs from a regional perspective, three focus group sessions were held in Calgary, Montreal, and Toronto. These sessions allowed us to gather information on challenges relating to job performance. The information will be analyzed, and a draft report will be distributed in the fall of 2002.










Customs Services

Innovating for the Future (Year 2 of 5)

Expected outcome: Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management.

Anticipated Result 6

-  Anticipated results met
-  Good data quality
-  Anticipated results mostly met
-  Reasonable data quality
-  Anticipated results not met
-  Weak data quality
-  Performance exceeded or did not meet year 2 of 5 expectations with respect to innovation
-  Performance on track with year 2 of 5 expectations with respect to innovation

6. Core business is under transformation to better meet our mission

Conclusion

We successfully met our key program commitments for innovation for 2001-2002, incorporating enhancements or revisions as required to address changed circumstances.

Success Criteria

Key commitments and milestones are achieved.

Transformation plans are adjusted appropriately as dictated by changing circumstances.

Highlights

Customs Action Plan

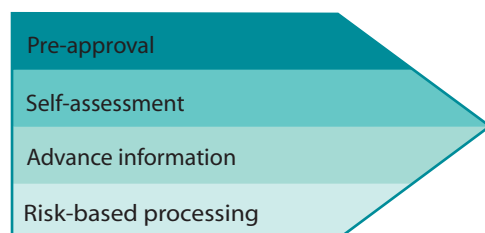
Our change agenda, as outlined in the Customs Action Plan (CAP), supports our expected outcome and each of the preceding anticipated results by offering technological solutions to managing the compliance continuum. The foundation for change is based on principles of risk-based processing, self-assessment, advance information, and pre-approval. As discussed in Anticipated Result 2, the waves of change which began with the Customs Blueprint have been increasing in momentum over the past decade. While some projects have been adjusted to reflect changed priorities, the overall direction has remained clear. Exhibit 64 illustrates the underlying principles of the CAP and summarizes our progress on key initiatives in 2001-2002.



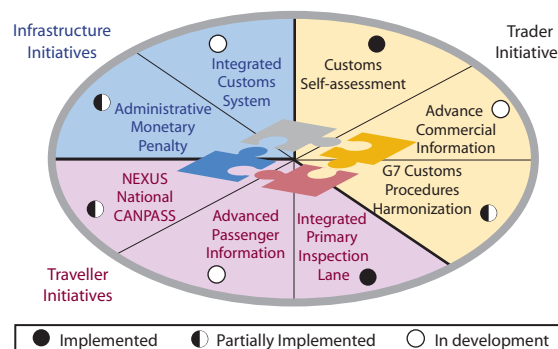
Customs Services

Exhibit 64: Building on the Customs Action Plan

Underlying Principles of Customs Action Plan



Major Initiatives



As part of its response to the events of September 11, 2001, Customs conducted a detailed review of its priorities, including those identified in the Customs Action Plan (CAP), and concluded that the direction outlined in the CAP was still sound. In fact, discussions with the United States under the Public Security and Anti-Terrorism (PSAT) efforts and the Canada/U.S. Smart Border Declaration identified the acceleration and expansion of key CAP initiatives—NEXUS, Advance Passenger Information (API), Advance Commercial Information (ACI), Customs Self-Assessment (CSA), Expedited Passenger Processing System (EPPS), G7, and Integrated Customs System (ICS).

While the implementation of some initiatives has been delayed due to a greater emphasis on security efforts, the CCRA is moving forward with virtually all CAP initiatives. Key successes to date include:

- partial implementation of AMPS commercial on December 3, 2001, with the introduction of penalties for five CSA contraventions and warnings for the remainder;
- implementation of the CSA program on December 3, 2001, including the commercial driver registration program (CDRP), carrier and importer pre-approval, and passage processing for low-risk shipments;
- implementation of the integrated primary inspection line at all major airports and bus offices (261 lanes at 38 locations);
- a four-agency evaluation of the NEXUS pilot completed in January 2002;
- implementation of the ACROSS interface with DFAIT's Import Processing System June 2001; and
- increased stability and availability of ACROSS.

Work in progress

Work progressed on the following change initiatives under CAP during 2001-2002:

Expedited Passenger Processing System (EPPS) is well under way and will be implemented at Vancouver International Airport and Pearson International Airport in early 2003. A joint program with the United States, NEXUS-Air, will be piloted at Ottawa International and Dorval International Airports later in the fiscal year.

Customs Services

Advance Passenger Information (API) is an example of the CCRA's commitment to risk-based processing, which relies on advance information. With the use of technology, customs officers will have information about persons on board an aircraft en route to Canada. Having information about a traveller prior to arrival will enable them to more effectively detect travellers who may pose a high risk. This is consistent with our commitment to intensify efforts to stop illegal activity and to protect the health and safety of Canadians. In response to the events of September 11, 2001, API was accelerated and expanded from a pilot project to full implementation on a priority basis. Implementation of API at major airports is scheduled for the fall of 2002.

NEXUS Highway – Officials from both Canada and the U.S. reviewed the NEXUS program following the events of September 11. They confirmed that pre-screening and registering low-risk participants supported by sophisticated technology at the time of entry is an effective way to expedite the clearance of low-risk travellers without compromising security. As a result, expansion of NEXUS to three sites in British Columbia/Washington was scheduled for June 2002, followed by a fall 2002 implementation in Southern Ontario.

Integrated Customs System (ICS) – ICS is an application framework that initially will blend the many different Customs automated systems, databases, and technologies. Over time, it will replace them with common components to provide a consistent user-view, enhance access, and facilitate information sharing. Systems design and development continue on the ICS, in particular on the Customs Query component, which will be required to support API and EPPS.

G7 – This project will promote certainty and consistency for Canadian importers and exporters by harmonizing the data required for the import and export of goods, and by establishing a standardized electronic format for the presentation of information. Design and development continues on G7/electronic one-step for imports and G7 exports, with both scheduled for implementation in the spring of 2003.

Advance Commercial Information (ACI), previously Carrier Re-engineering – ACI is about getting the right information at the right time to make informed decisions about whether to examine shipments at the first point of arrival. Discussions with the United States on harmonizing customs procedures for all commercial shipments are presently under way.

Delayed projects

EDI Adjustment is designed to enable clients to correct entry data on commercial imports through the Customs Automated Data Exchange (CADEX). This initiative was previously scheduled to enter the planning stage in September 2001. However, due to priority being placed on security-related initiatives, the planning for EDI Adjustment will be delayed.



Customs Services

Exhibit 65: Customs Action Plan Initiatives with Corresponding Anticipated Results

Enhanced Enforcement	Effective Compliance Management	Responsible Services	Exporting Canadian Best Practices	Knowledgeable and Skilled Workforce	Transforming our Business
<ul style="list-style-type: none"> Integrated Primary Inspection Line (partial implementation September 2001) Advance Passenger Information (phased implementation October 2002) 	<ul style="list-style-type: none"> NEXUS (evaluation January 2002) Expedited Passenger Processing System (received legislation in October 2001) CANPASS Highway (see NEXUS) ACROSS/OGD Interface (implemented June 2001) Customs Self Assessment (implemented December 2001) Administrative Monetary Penalty System (received legislation October 2001) Electronic Data Interface Adjustment (delayed) 	<ul style="list-style-type: none"> NEXUS (expansion for 2002-2004) Expedited Passenger Processing System (partial implementation for December 2002) CANPASS Highway (see NEXUS) Customs Self Assessment (evaluation in 2003-2004) Global Enrolment (see EPPS) Administrative Monetary Penalty System (partial implementation December 2001) 	<ul style="list-style-type: none"> G7 Customs Procedures Harmonization (ongoing consultation with clients—partial implementation March 2003) 	<ul style="list-style-type: none"> Integrated Primary Inspection Line (implemented February 2002) Administrative Monetary Penalty System (commercial implementation October 2002) Integrated Customs Systems (development of framework implemented) 	<ul style="list-style-type: none"> Electronic Data Interface Adjustment (delayed) Electronic One-Step (implementation following G7) Integrated Customs Systems (goal of completion in 2003-2004) Advance Commercial Information (partial implementation May 2002)

Customs Services

The Road Ahead

Progress Against the 2000-2001 Road Ahead

Targeted Areas for Improvement*	Targeted Completion Date*	Status	On track?	Roll Forward into Road Ahead 2002?
Implementing the Customs Action Plan initiatives	2001-2005	Partial implementation of commercial AMPS.	✓	Yes See item 1 below
		Implementation of CSA including driver registration, carrier and importer pre-approval, and passage processing for low-risk shipments.	✓	Yes See item 1 below
		Completed evaluation of NEXUS Highway Pilot. Working towards expansion to B.C. and Southern Ontario locations by summer of 2002.	✓	Yes See item 1 below
		Finalized detailed program requirements for the Expedited Passenger Processing System (EPPS)—now referred to as NEXUS-AIR. Delay in rolling out the system compared to commitment made in the Corporate Business Plan.	✗	Yes See item 1 below
		Continued implementation of the Integrated Primary Inspection Line at all major airports and bus offices.	✓	No
		Increased stability and availability of Accelerated Commercial Release Operations System (ACROSS).	✓	No
		ACROSS interface with the Department of Foreign Affairs and International Trade (DFAIT) Import Processing System implemented in June 2001.	✓	No
Implementing Compliance Improvement Plan	2001-2005	Systems design and development continued on the Integrated Customs System in support of Advanced Passenger Information and Passenger Name Record.	✓	Yes See item 1 below
		Some advances were made with respect to process and training plans; however, overall progress did not meet expectations.	✗	Yes See item 2 below
Implement the CCRA's performance measurement framework	2001-2004	In step with the broader implementation of the Balanced Scorecard (BSC), work progressed on the development of BSC measures and indicators. However, at a corporate level, the Agency did not progress as expected, falling short in the overall phased-in implementation of the BSC. We are now back on track in 2002-2003.	✗	Yes See item 4 below

✓ On track

☑ Mostly on track

✗ Not on track

*Source: Prior year Annual Report to Parliament (2000-2001)



Customs Services

The Road Ahead – 2002 and Beyond

1. Delivering on Customs Action Plan Initiatives as the result of enabling legislation passed in the fall of 2001 as detailed in the following examples (Anticipated Result 6):
 - Expanded participation in Customs Self Assessment (CSA).
 - Implementation of Commercial Administrative Monetary Penalty System (AMPS) by late 2002.
 - Expedited Passenger Processing System (EPPS)—now referred to as NEXUS-AIR and CANPASS-AIR implementation at Pearson International Airport and Vancouver International Airport in early 2003.
 - Implementation of Free and Secure Trade (FAST) at six major Canada-U.S. crossings in December 2002.
 - Continued roll-out of NEXUS at the major sites in Southern Ontario in fall 2002.
 - Implementation of NEXUS-AIR at Dorval and Ottawa in early 2003.
 - Begin implementation of Advanced Passenger Information (API) in the fall of 2002.
2. Address weaknesses in compliance measures and advance the Compliance Improvement Plan including (Anticipated Result 2):
 - Generate statistically reliable measures in order to monitor and report on compliance for border and trade issues.
 - Analyze the impact of September 11 on compliance issues and border management.
 - Implement changes recommended by the Office of the Auditor General (OAG), including providing the training, tools and procedures to collect the information necessary to assess the effectiveness of our risk management, targeting, and compliance verification processes.
3. Develop a national core curriculum and a long-term learning plan for beginner, intermediate, and senior compliance verification officers, which will be adaptable for Customs client services officers and appeals officers (Anticipated Result 5).
4. Continue implementation of the Balanced Scorecard to provide more effective and unbiased reporting of our successes and performance gaps for decision-making purposes (for the entire business line).
5. Continue to be a member of the World Customs Organization (WCO) Policy Commission for the next two years, allowing the CCRA to effectively manage our WCO issues. The CCRA is also a member of the WCO Finance Committee and will participate in other key WCO Committees (Anticipated Result 4).
6. Continue to chair the WCO's Working Party to the Permanent Technical Committee. We will play a leading role in the Task Force that was established to develop and implement the measures contemplated in the Resolution on Security and Facilitation of the International Trade Supply Chain, which was adopted by the WCO members in June 2002 (Anticipated Result 4).

Customs Services Attachment 1

Attachment 1: Logic Model

This following logic model offers a roadmap showing the links between our inputs, activities and outputs that are essential to achieving our anticipated results in support of our expected outcome. It also shows how these fit into the Agency's overall strategic outcomes. This logic model is the foundation of our performance report card which summarizes our performance against each anticipated result.

Customs Logic Model						
Mission: Promote compliance with tax, trade, and border legislation, thereby contributing to the economic and social well-being of Canadians						
Inputs	Key Activities	Outputs	Anticipated Results	Success Criteria	Expected Outcome	Strategic Outcome
Knowledgeable & skilled workforce	Enforcement	Seizures Detentions Arrests Prosecutions Investigations	Enhanced enforcement that expeditiously identifies and responds to threats to the security, health, and safety of society, and to Canada's economy	Meet and exceed targets for examination Continue to interdict a significant portion of the contraband goods seized by Canadian enforcement agencies	Canadians health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management	Canadians comply with tax, trade, and border legislation
	Compliance Management	Risk assessment Faster processing of low-risk travellers and traders Corrective Action Enhanced scrutiny for high-risk or unknown travellers and traders	Effective compliance management that enhances personal and economic security, and encourages partnerships and sustained compliance	Continue to meet or exceed minimum compliance level with routine border requirements Establish quantitative measures of compliance in other program areas		
Public -Policy	Responsive Services	Revenue collection Educational material and services to client Outreach programs Response to clients' needs	Responsible services that encourage voluntary compliance and minimize the compliance burden without compromising security	Client satisfaction continues to exceed results recorded in our 2000 Baseline Survey		
	Exporting Canadian Best Practices	International technical assistance International agreements Participation in international forums	Certainty and consistency for international trade and travel	Adoption of Canadian recommendations by international forums		
Legislative Framework (Federal, Provincial, and Territorial)	People Management	Learning plans Trained staff Providing the specific requested equipment to employees	Knowledgeable and skilled workforce in right place at the right time	Recruiting, training, and retaining skilled and competent workforce		
	Transforming our business	Improved release processes Monetary penalties Information/Intelligence New programs to support risk management, innovation, and security at Canadian borders	Core business is under transformation to better achieve our mission	Project plans and planned take-up rates are met		



Customs Services Attachment 2

Attachment 2: Service Standards in Customs

Customs	Service	Service Standard	Target	Results 1999-2000	Results 2000-2001	2000-2001 Compared to Target	Results 2001-2002	2001-2002 Compared to Target
	1. Release on minimum documentation (RMD) – EDI	45 minutes	100%	86%	84%	✗	79% (see note)	✗
	2. RMD – EDI machine release	5 minutes				Not available	See note	Not available
	3. RMD – Paper	2 hours			95%	Not available	100% (see note)	✓
	4. Pre-Arrival Review System (PARS) – EDI	1 hour				Not available	85% (see note)	✗
	5. PARS – Paper	2 hours			100%	Not available	93% (see note)	✗
	6. Land-border traveller wait time (customs booth clearance)	10 minutes Mon. to Thurs.	100%		97%	✓	98%	✓
		20 minutes Fri. to Sun. and holidays	100%		97%	✓	98% (see note)	✓
	7. Land-border traveller wait time (payment of duty)	5 minutes Mon. to Thurs. 10 minutes Fri. to Sun. and holidays				Not available	See note	Not available

✓ Met or exceeded target ✓ Target mostly met (at least 95%) ✗ Target not met ■ New or modified service standard

Explanatory notes

Standard 1: The percentage given is for releases processed on the ACROSS Worklist Platform within 45 minutes.

Standard 2: The monitoring of the five-minute processing standard for machine release is currently under development.

Standard 3: Sample for RMD paper releases was 6,419 out of a total population of 1,974,058. The sample was conducted over four days in June and November 2001.

Standard 4: The percentage given is for releases processed on the ACROSS Worklist Platform within 45 minutes. The current timing reports generated from the ACROSS system only monitor the ACROSS Worklist/Processing time for a transaction. As the service standard for PARS-EDI includes the client transmission time, data reflecting the standard is incomplete at this time.

Standard 5: The sample for PARS paper releases was 2,176, out of a total population of 1,231,403. The sample was conducted over four days in June and November 2001.

Standard 6: Information is an estimate based on samples collected for the period of April 1, 2001, to September 1, 2001. Data collection was suspended due to the events of September 11, 2001.

Standard 7: Studies of wait times for the payment of duties and taxes have not been considered necessary, due to dramatic declines in small collections in recent years.

New Service Standards for 2002-2003

New standards and related targets		
Customs Services	First Tier Automated Customs Information Systems (ACIS)	under development

Improvements to Existing Service Standards for 2002-2003

Improvements to existing standards in 2002-2003	
Customs Services	Improved monitoring to support reporting on existing service standards



Appeals



Appeals

Rating System



Anticipated results met

Rating is based on good data quality – Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results mostly met

Rating is based on reasonable data quality – Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results not met

Rating is based on weak data quality – Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods

Variance



Year-over-year performance improved for **Managing the Compliance Continuum**



Year-over-year performance remained unchanged for **Managing the Compliance Continuum**



Year-over-year performance declined for **Managing the Compliance Continuum**



Performance exceeded expectations for year 2 of 5 for **Innovating for the Future**



Performance on track with expectations for year 2 of 5 for **Innovating for the Future**



Performance did not meet expectations for year 2 of 5 for **Innovating for the Future**



Appeals

About Appeals

At the CCRA, we are responsible for managing one of the Government of Canada's largest dispute resolution services. Through the Appeals business line, we review contested decisions in income tax, goods and services tax (GST), harmonized sales tax (HST), excise tax, trade administration, customs enforcement sanction, Canada Pension Plan (CPP), and Employment Insurance (EI) cases. Clients who are not satisfied with the results of our review may appeal to the courts—or for trade administration issues, to the Canadian International Trade Tribunal (CITT).

Our aim is to provide clients with a fair dispute resolution process, respecting Canadians' fundamental right to redress in their dealings with the federal government. To earn and keep the trust of our clients, it is essential that we have an appeals process that *is* fair and that also is *seen* to be fair. Canadians should have confidence that when they report a problem with a decision we have made, they can and will be heard, their concerns will be dealt with thoroughly and promptly, and they will be treated at all times with respect. This builds trust in the system as a whole, which in turn promotes voluntary compliance.

As of March 31, 2002, over \$8 billion in income taxes, GST/HST/excise taxes, and customs duties were in dispute. These areas are the major sources of redress claims, involving some 78,000 individuals and businesses exercising their fundamental right to redress, up substantially from the approximately 57,000 who were involved in disputes a year earlier. This increase was largely the result of a significant number of income tax objections filed by former and current public servants relating to the taxability of interest received on the federal government's retroactive pay equity settlement.

To support and strengthen the application of fairness principles across all CCRA programs, the Appeals business line also co-ordinates the CCRA's Fairness Initiative. This includes overseeing the application of legislative provisions for forgiving interest and penalties to clients in special circumstances, such as hardship. Appeals is also responsible for administering the Voluntary Disclosures Program, which allows clients to correct past errors or omissions and report without penalty their tax, duty, and tariff obligations.

Some of our key activities and business line characteristics are listed below:

Key Volumetrics

- 72,826 disputes resolved, compared to 85,618 received
- 75,960 of 108,158 requests granted under the fairness provisions
- 4,732 voluntary disclosures received, with related assessments estimated at \$230 million
- Budget of \$82 million
- Some 1,141 full time equivalent employees

Appeals

Spending Profile

The Appeals function is separate from other business lines to enhance its impartiality. It is also the CCRA's smallest business line, representing just 2.2% of the total CCRA budget, down from 2.3% last year. In 2001-2002, its actual spending was about \$75 million, or some \$7 million less than authorized and about \$4 million more than last year (see Exhibit 66). Difficulties in reaching optimal staffing levels over the year—we operated with 7% fewer employees than planned—accounted for much of the spending shortfall.

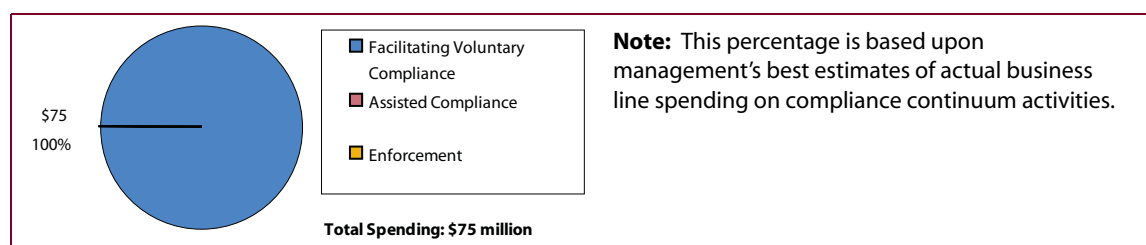
Exhibit 66: Business Line Spending

Appeals	1999-2000	2000-2001	Percentage Increase	2001-2002	Percentage Increase
Planned Spending ^a (\$000)	67,020	68,332	2.0%	67,479	-1.2%
Allocation of Authorities ^b (\$000)	73,848	78,388	6.1%	82,154	4.8%
Actual Spending^c (\$000)	69,008	70,989	2.9%	75,052	5.7%
Planned FTEs ^d	1,280	1,272	-0.6%	1,212	-4.7%
Total FTE Authorities ^d	1,310	1,217	-7.1%	1,227	0.8%
Actual Number of FTEs^e	1,123	1,098	-2.2%	1,141	3.9%

- Planned Spending is the Agency published Main Estimates (spending approved by Parliament at the beginning of the fiscal year). These figures are net of spendable revenues (Revenues credited to the Vote).
- Total spending authority provided by Parliament for the fiscal year. It includes Main Estimates plus any in-year Supplementary Estimates and year-end approvals. These figures are net of spendable revenues.
- Actual spending is net of spendable revenues.
- Estimates of FTEs based on Parliamentary approved Planned Spending and Authorities for dollars.
- For 2001-2002, the allocation of Information Technology Branch resources to this business line is done on a different basis than the authorities and the previous years, making year-over-year comparison difficult. The CCRA is taking steps to better align these Authorities and Actual data by business line.

As shown in Exhibit 67, all of the Appeals business line's activities and resources support the facilitation of voluntary compliance through channels such as publications, case information services, and the timely provision of fair dispute resolution. A general discussion of the compliance continuum can be found beginning on page 147.

Exhibit 67: Total Appeals Resources Allocated to the Compliance Continuum for 2001-2002 (\$ million)





Evaluating Our *Overall Performance*

We Have One Expected Outcome

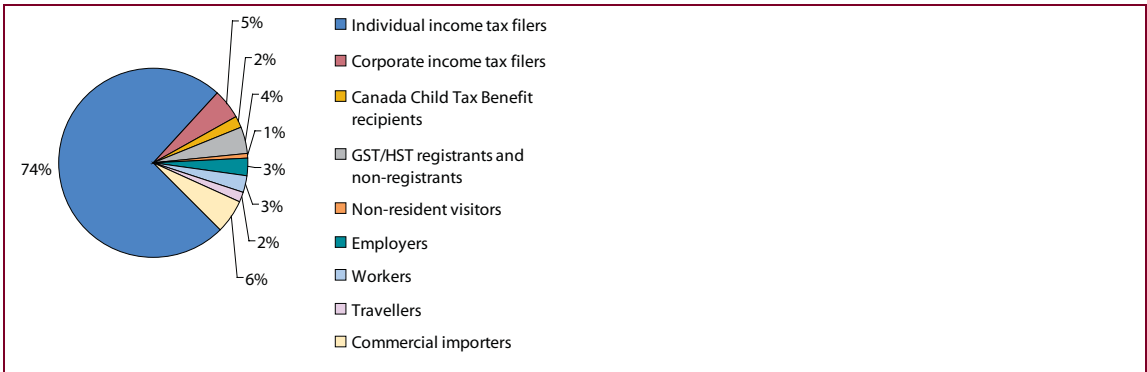
Appeals supports the achievement of the CCRA's two strategic outcomes—compliance and innovation—through the results it achieves against the following expected outcome: ***Canadians receive an impartial and timely review of contested decisions through our redress system.*** Our aim is to provide clients with a fair dispute resolution process. An impartial and timely process fosters trust in the integrity of our tax and customs systems, which helps promote voluntary compliance with these systems.

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

Performance Context

Our goal in Appeals is to ensure that all of the CCRA's clients have access to responsive and impartial redress. As illustrated in Exhibit 68, while most of our clients are individual income tax filers (74%), we also handle disputes from non-resident visitors (1%) and commercial importers (6%), among others.

Exhibit 68: Actual Redress Clients



High-Level Success Criteria

Below, we assess our performance against our expected outcome using the following high-level success criteria:

- reviews of disputes and requests under the fairness provisions are, and are perceived to be, fair and impartial;
- clients find our services accessible and are kept informed of the progress of their disputes and requests;
- disputes are resolved in a timely and consistent manner; and
- our collective efforts promote an environment of trust for our impartiality and fairness that encourages voluntary compliance.

Conclusions Against Expected Outcome

On balance, we believe that we mostly met our expected outcome through our performance against the above success criteria. While we believe that we are generally providing fair and impartial reviews of disputes, timeliness of case processing remains an issue, despite some advances made in 2001-2002. We recognize that slow turnaround times can have a negative effect on voluntary compliance, and can, in some cases, make the appeals

process more costly and appear less accessible to potential clients. Process improvements and targets are being implemented to improve the timeliness of our performance over the next several years.

On balance, we believe that we mostly met our expected outcome through our performance against the above success criteria.

To enhance our ability to keep clients informed about their disputes, we introduced a new service standard in 2001-2002 to provide clients with a meaningful status update on their disputes within 30 days of filing. We exceeded this standard across all of our program areas. We also have in place tools and guidelines to promote the consistent and proper handling of disputes and fairness requests. However, we have not progressed sufficiently in instituting agency-wide monitoring programs to provide greater assurance of

consistency and fairness in our decisions. Ultimately, the majority (about 60%) of our clients agreed with our resolution of their disputes, including a fairly high percentage of those whose claims we disallowed either in part or in full, meeting our expectations in this area. Only approximately 7% of all dispute cases were resolved in the courts.



Our commitment to fairness is supported by the 7-Point Plan for Fairness, which has now been implemented agency-wide. As part of the plan, we have promoted our Voluntary Disclosures Program, which allows clients to correct past errors or omissions in their tax, duty, and tariff obligations without penalty. The dollar value of assessments under this program has grown considerably since 2000-2001.

Exhibit 69, the Appeals report card, provides a one-page summary of our performance against each of our six anticipated results in support of our expected outcome. Starting on page 147, we discuss in detail these findings and our conclusions, using detailed success criteria that are built on the high-level criteria.



Appeals

Exhibit 69: Appeals Performance Report Card

Appeals Report Card						
Expected outcome – Canadians receive an impartial and timely review of contested decisions through our redress system						
	Anticipated results	This year's ratings	Last year's ratings	Variance	Actual results as demonstrated by	Page
Managing the Compliance Continuum	1. Transparent, accessible, and consistent redress mechanisms promote fair and impartial treatment				<ul style="list-style-type: none"> ↑ We exceeded our new service standard for updating clients on the status of their disputes within 30 days of filing. ■ Clients are aware of, and are provided with sufficient information on their rights to redress and on the procedure for filing a dispute at no cost. ■ Our pattern of year-over-year dispute outcomes is consistent. 	147 147 147
	2. Our dispute resolution service is provided on a timely basis				<ul style="list-style-type: none"> ↑ Modest progress in turnaround times in largest programs, but disputes still taking too long to resolve. ↑ To achieve further progress in timeliness, process improvements and targets are being implemented. 	153 153
	3. Handling of fairness provisions is consistently applied across programs and regions				<ul style="list-style-type: none"> ■ Appeals Branch is the functional lead for fairness within the CCRA. ■ Guidelines and tools for the consistent application of fairness provisions are in place across business lines. ■ Beyond initiating a review of our fairness registry for tracking requests and decisions related to cancellation of interest and penalties, little progress was made in implementing the systematic fairness monitoring that will allow us to provide greater assurance of consistency. 	158 158 158
	4. Risk management of dispute and litigation issues is effective				<ul style="list-style-type: none"> ↑ New risk management framework was implemented to provide a more comprehensive approach to assessing and managing risks. ■ Consistent with our expectations, the vast majority of disputes continue to be resolved administratively, and the CCRA's decision is confirmed in the majority of those cases that proceed to the courts. ■ Quality assurance and monitoring programs are not yet in place, but were piloted, with implementation beginning in 2002-2003. ■ When areas requiring further clarification are identified, proposals for legislative or other changes are initiated. 	161 161 161 161
	5. Knowledgeable and skilled workforce is in the right place at the right time				<ul style="list-style-type: none"> ↑ Staffing shortfall was reduced from last year. ↑ Workloads were reassigned to better utilize available resources, contributing to improved processing times for income tax files. 	164 164
Innovating for the Future (Year 2 of 5)	6. Fairness principles are applied and integrated across all programs				<ul style="list-style-type: none"> With the 7-Point Plan for Fairness now implemented, Appeals has successfully concluded on its innovation agenda and exceeded expectations with respect to voluntary disclosures. Our next step is to monitor our progress in applying the fairness principles. ↑ Voluntary disclosures continue to increase, with related assessments increasing by 61% over the prior year. ■ The 7-Point Plan for Fairness is implemented and no longer forms part of our innovation agenda. The principles of fairness contained in the plan are now part of core operations. ■ Inventories for the Voluntary Disclosures Program are growing; to address the issue a stable funding source for the Program is being secured. 	166 166 166

Contributions of Others

While the achievement of our expected outcome is largely within our own control, we do sometimes rely on other parties to help provide fair and timely dispute resolution.

Of course, taxpayers can influence and shorten the turnaround time of files in workable status through the timely submission of comprehensive materials or additional documentation.

To enhance fairness, we cooperate with the Department of Finance to help identify legislative amendments and recommend these changes to the Department of Justice. The Department of Justice also interprets precedent-setting court cases and acts as lead on any litigation issues on our behalf.

Logic Model

We have prepared an Appeals logic model (see page 171) which offers a roadmap showing the links between our inputs, activities, and outputs that are essential to achieving our six anticipated results in support of our expected outcome. It also shows how these fit into the Agency's overall strategic outcomes. This logic model is the foundation of our performance report card which summarizes our performance against each anticipated result.

Discussing Our *Performance* by Anticipated Result

We assess our performance for the Appeals business line against six anticipated results as they relate to our expected outcome: *Canadians receive an impartial and timely review of contested decisions through our redress system.*

Ratings are provided for each anticipated result. They show whether our performance met (green), mostly met (yellow), or did not meet (red) the results. We provide a separate rating on the quality of the information upon which we based the assessment. As with other business lines, we assess our performance against two themes: managing the compliance continuum and innovating for the future.

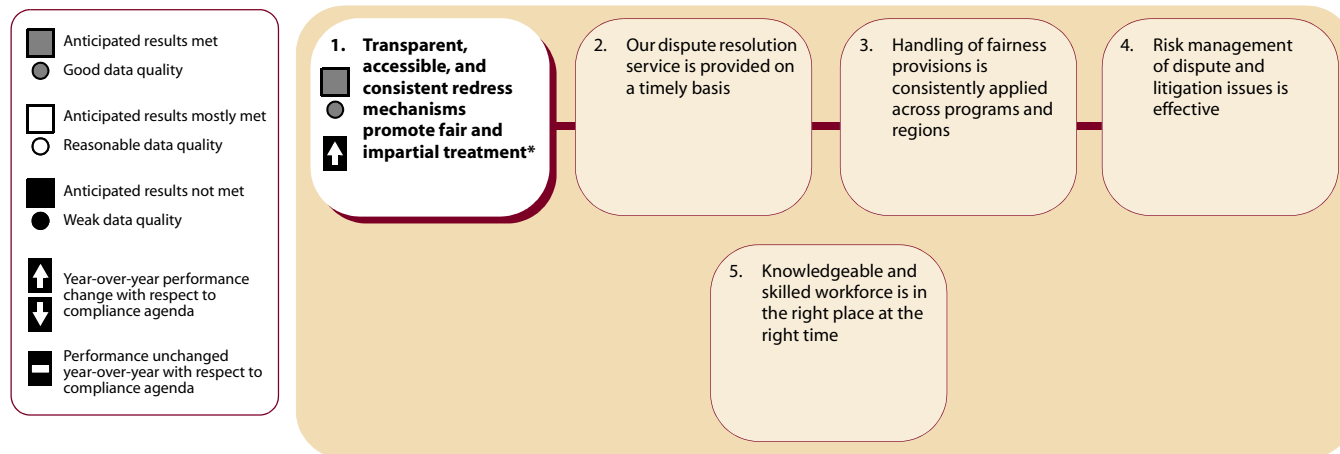


Appeals

Managing the Compliance Continuum

Expected outcome: Canadians receive an impartial and timely review of contested decisions through our redress system

Anticipated Result 1



Conclusion

The dispute resolution process is for the most part transparent, accessible, and consistent, resulting in a process that is fair and impartial.

Success Criteria

Maintaining or exceeding the high levels of transparency, accessibility, and consistency reported in 2000-2001.

Continuing to make progress in those areas every year, as measured against our current service standard and other indicators of performance.

*** Note:** To report on timeliness more clearly and meaningfully, we have divided last year's first anticipated result into two parts (see Anticipated Result 2). We have adjusted last year's performance rating for transparent, accessible, and consistent redress mechanisms from "not met" to "met", to reflect what performance would have been like in this area without considering timeliness.

Highlights

We strive to provide a dispute resolution process that is transparent, accessible, and consistent. These attributes help to promote the fair and impartial treatment of our clients, and are assessed through the following indicators:

- the inclusion of information about client redress options in our publications and forms,
- our confirming with clients the receipt of their disputes,
- discussions with clients of the final decisions on their files,
- the results of periodic surveys of client satisfaction with the overall redress process, and
- the consistency of case outcomes over time, including the percentage of cases resolved in the client's favour.

Management believes that **transparency** has been achieved, both for clients involved in the dispute process and the public at large, a conclusion supported by the significant efforts we make in this area (Exhibit 70).

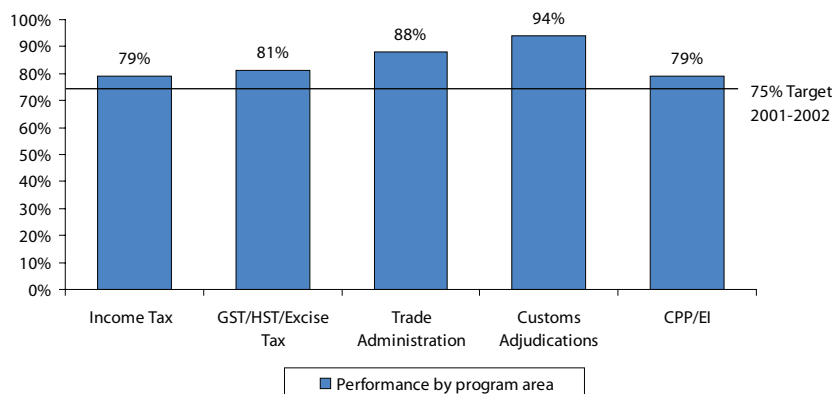
Exhibit 70: How Transparency Is Achieved

For the public	For clients
CCRA forms	30-day contact
Brochures	Case information
Web site	Personal calls
Annual report	
Business plan	

The public is informed of the dispute resolution process through the CCRA Web site, which links to Appeals, through an information brochure, and through publications such as this report. Furthermore, individuals who file disputes have access to most information in their files that relates to the issues in dispute (information such as third-party reports and personal information related to another person may be protected and not accessible). In addition, a personal phone call is made by an Appeals officer before a final decision is made, allowing clients another opportunity to provide input into the decision process. Clients are also informed formally of final decisions when they are made.

To enhance transparency, a new service standard was introduced to contact 75% of all clients who filed disputes with a meaningful status update within 30 days of filing. We substantially exceeded this standard across all program areas (see Exhibit 71). Overall, we notified 82% of clients within this timeframe. Consequently, we have raised our standard from 75% across *all* program areas to 85% for *each* program area in 2002-2003.

Exhibit 71: Performance Against Service Standard – Percentage of Clients Contacted Within 30 Days





Appeals

Periodic surveys of client satisfaction with Appeals services tell us whether the information we provide helps make the process sufficiently transparent and whether it enables clients to **access** our services if they want to do so. The last survey of most business lines was conducted in 1998, and was reported on in last year's annual report. Estimates based on the survey suggest that about 85% of respondents were satisfied with the ease of filing a dispute. Trade administration clients were surveyed for the first time this year, as that area was not part of Appeals at the time of the 1998 survey. Approximately 70% of trade administration clients indicated that they were satisfied with the written and oral explanations they received. Ease of filing a dispute was not polled. The next branch-wide survey of clients, originally planned for 2002-2003, has been postponed for one year to allow for the implementation of recommendations to improve turnaround times (see Anticipated Result 2), and to be able to evaluate the subsequent impact on client perceptions of Appeals. It is expected that the results of the new survey will be at least as positive as those of the 1998 survey.

It is our expectation that *all* potential clients are notified of their right to redress, and how to access Appeals' services. To achieve this goal, we proactively advise potential clients of the appeals process and their appeal rights through our major tax, customs, and benefits forms (see Exhibit 72). For example, notices of assessment contain a standard paragraph informing the recipients of how to file a dispute if they disagree with the decision contained in the notice. Our CCRA Annual Survey indicates that the majority of Canadians (71%) continue to be aware of their right to file a dispute should they disagree with our decision.

Exhibit 72:

Advising Canadians of Their Right to Appeal	
Tax Services	<ul style="list-style-type: none">• T1/T2 notices of assessment/reassessment• Goods and Services Tax/Harmonized Sales Tax notices of determination/redetermination
Benefit Programs and Other Services	<ul style="list-style-type: none">• Canada Child Tax Benefit notice• Goods and Services Tax Credit notice
Customs	<ul style="list-style-type: none">• Notice of seizure• Seizure receipt• Notice of assessment

In 2001-2002, our efforts to improve access were focused on developing and implementing an option for the filing of certain disputes over the Internet. This initiative will offer clients a new and speedy dispute filing option, while improving our responsiveness and our clients' accessibility to the redress process. Our review determined that there are no technical obstacles to proceeding to offer the new e-service, and funding has been requested from the Government. We are planning to make Internet filing of disputes operational as of 2003-2004 for the income tax and GST/HST/excise tax programs, when we anticipate that the computer systems required to support this option will be in place.

To facilitate access to redress and align the process for Customs with other program areas, changes to the redress provisions of customs legislation were passed in 2001-2002. In particular, the time allowed to file a request for a review of an enforcement action was increased significantly, and a provision was added to allow for an extension of the time to request a review for both trade and enforcement decisions. The law was also amended to enable a party with an interest in seized or detained goods to request an administrative review, rather than having to apply to the courts. This change should lower legal costs for these third-party applicants and the CCRA, by reducing the number of cases that go to court. Taken together, these legislative amendments have the effect of increasing access to Appeals services.

Appeals

While overall performance on accessibility is strong, we recognize that in some cases the appearance of accessibility may be impacted by the length of time it currently takes to resolve disputes (see Anticipated Result 2) and the perceived cost of filing disputes.



An indicator of our **consistency** in providing fair and impartial redress is year-over-year stability in the percentage of disputes that Appeals resolves in favour of clients (see Exhibit 73). While we decide each case on its own merits and base our decision on the facts of the particular case, we nevertheless believe that this stability is indicative of our balance in decision-making and reflects a fair and impartial process. During 2001-2002, the branch resolved between 43% and 58% of disputes (depending on the program) in favour of clients, either in whole or in part. While there are minor variances from 2000-2001 in all program areas, and while the trade administration area had an increase of 10 percentage points in the number of cases where the CCRA's initial decision was confirmed by Appeals, the proportion of cases resolved in favour of clients at the administrative level is generally stable over time. For instance, the percentage of disputes resolved wholly or partly in favour of taxpayers in the highest volume program, income tax, has fluctuated no more than 1% a year over the last three years. We believe this is a reflection of our fair and consistent treatment of disputes over time.



Appeals

Exhibit 73: Outcome of All Disputes at the Administrative Level

Dispute allowed in full – The client is allowed 100% of the issues in dispute.

Dispute allowed in part – The client is allowed a portion of the issues in dispute.

Original decision confirmed – The client is not successful in any of the issues in dispute.

	1999-2000		2000-2001		2001-2002	
	No.	%	No.	%	No.	%
Income Tax						
Dispute allowed in full	15,672	32%	15,235	31%	16,420	30%
Dispute allowed in part	9,279	19%	9,504	19%	10,887	20%
Original decision confirmed	15,109	31%	15,944	32%	17,433	32%
Late or invalid objections	8,750	18%	8,764	18%	9,712	18%
Total	48,810	100%	49,447	100%	54,452	100%
GST/HST/Excise Tax^a						
Dispute allowed in full	714	15%	759	17%	988	19%
Dispute allowed in part	1,096	23%	1,182	26%	1,233	24%
Original decision confirmed	2,356	49%	1,840	41%	1,956	38%
Late or invalid objections	605	13%	730	16%	977	19%
Total	4,771	100%	4,511	100%	5,154	100%
CPP/EI^b						
	N/A	N/A	N/A	N/A	N/A	N/A
Adjudications						
Dispute allowed in full	871	24%	627	19%	403	12%
Dispute allowed in part	768	21%	819	24%	1,220	36%
Original decision confirmed	1,999	55%	1,926	57%	1,748	52%
Total	3,638	100%	3,372	100%	3,371	100%
Trade Administration						
Dispute allowed in full	3,244	54%	2,501	51%	2,287	49%
Dispute allowed in part	759	12%	672	14%	412	9%
Original decision confirmed	1,425	24%	1,193	25%	1,616	35%
Cancellations, errors	617	10%	508	10%	318	7%
Total	6,045	100%	4,874	100%	4,633	100%

- Percentages of GST/HST/excise tax disputes allowed in full and in part to the clients are lower because clients often lack the documentation necessary to support their case.
- These types of statistics are not captured for CPP/EI decisions due to the number and relationship of the various parties involved. In this program area, the CCRA plays a unique role between employers and employees; it is therefore not possible to compare this program to the other Appeals programs.

Appeals

Another indicator of consistency, and indirectly of fairness and impartiality, is the number of clients who agree with the resolution of their disputes. This agreement is determined from personal phone conversations we have with clients just before we render our final decision on their file. In 2001-2002, 62% of our clients in the income tax and GST/HST/excise tax programs (which account for the vast majority of cases) agreed with the resolution of their disputes, including a fairly high percentage of clients whose disputes are either not at all or only partially successful (see Exhibit 74). In addition, of the 72,826 disputes completed, only 7% were pursued to the courts, a slight reduction from the previous year. To the extent that this indicates clients are generally satisfied with the resolution of their disputes, the reduction may suggest a small improvement in perceived fairness and impartiality.

Exhibit 74: Percentage of Clients Who Agree With the Resolution of Their Dispute

Dispute allowed in full – The client is allowed 100% of the issues in dispute.

Dispute allowed in part – The client is allowed a portion of the issues in dispute.

Original decision confirmed – The client is not successful in any of the issues in dispute.

Program ^a	Resolution	1999-2000	2000-2001	2001-2002
Income Tax	Dispute allowed in full	100%	100%	100%
	Dispute allowed in part	83%	82%	84%
	Original decision confirmed	57%	55%	55%
GST/HST/Excise Tax	Dispute allowed in full	100%	100%	100%
	Dispute allowed in part	47%	50%	49%
	Original decision confirmed	19%	30%	17%

- a. These types of statistics are not captured for CPP/EI decisions due to the number and relationship of the various parties involved. In this program area, the CCRA plays a unique role between employers and employees; it is therefore not possible to compare this program to the other Appeals programs. Also, the Customs Adjudications and Trade Administration programs do not track whether clients concur with the resolution of their dispute.



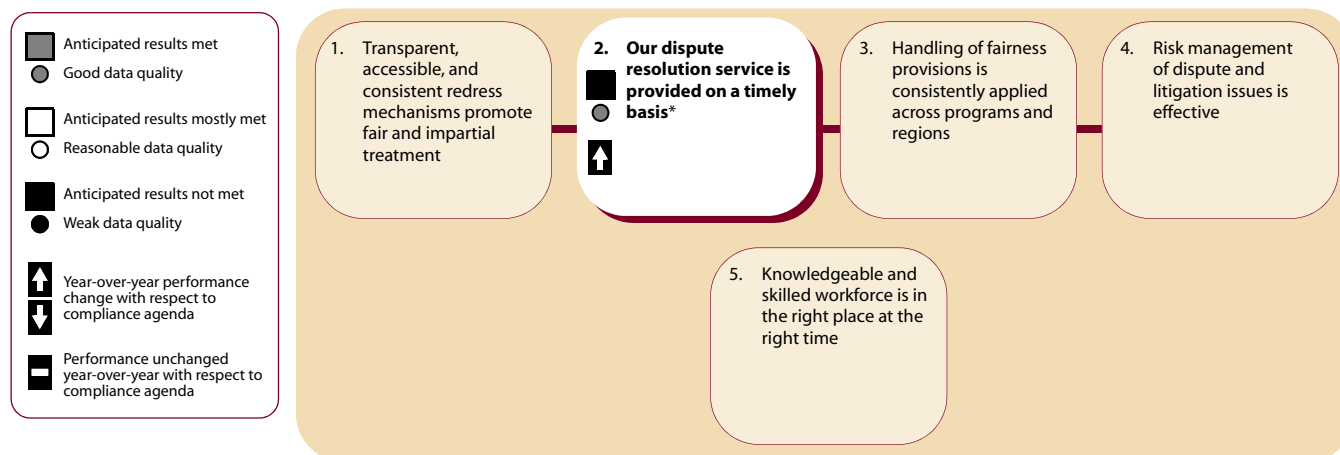


Appeals

Managing the Compliance Continuum

Expected outcome: Canadians receive an impartial and timely review of contested decisions through our redress system

Anticipated Result 2



Conclusion

While some progress is being made in improving the timeliness of the dispute resolution process, disputes continue to be resolved too slowly. Process improvements and targets are being implemented to improve timeliness over the next several years.

Success Criteria

Performance in reducing turnaround times should improve every year until 2004-2005.

Productivity, as measured by the number of cases completed, should increase, regardless of trends in intakes.

The average age of workable inventory should decline in response to the more prompt resolution of disputes.

*** Note:** To report on timeliness more clearly and meaningfully, we have divided last year's first anticipated result into two parts. While last year's performance rating has been adjusted for transparent, accessible, and consistent redress mechanisms (see Anticipated Result 1), the rating for timeliness remains unchanged at "not met."

Highlights

One of our main objectives is to handle disputes as expeditiously as possible, because timeliness makes a significant contribution to the perceived fairness and accessibility of the redress process. On the other hand, we are cognizant of the balance between improving timeliness and not compromising the accuracy or fairness of our decisions.

A key indicator of timely redress is the average processing time it takes for Appeals to resolve cases when they are in workable status. A file is in "workable" status, for instance in the income tax area, when it does not require work to be performed by someone external to the tax services office (TSO) handling the dispute before the dispute can be resolved. A file will be workable even if we are awaiting information from the client. A file is considered to be "non-workable" if a court decision on it or a related file is pending; if the file is awaiting an opinion from Appeals at Headquarters; or sometimes for CPP/EI files, if a file has been referred to a specialized CPP/EI group in Appeals for an opinion.

Appeals

While we reduced turnaround times in the majority of program areas between 1999-2000 and 2001-2002, disputes continue to be resolved too slowly. In fact, turnaround times deteriorated in two program areas, and improved only modestly in the other three. Appeals Branch takes, on average, 102 to 304 days to complete its review of disputes when in workable status (see Exhibit 75). With respect to specific program areas, improved timeliness on CPP/EI disputes is largely attributable to the concerted efforts being made through the Program Renewal Initiative. CPP/EI processing times might have been lower than last year in any event this year, as changes were made to standardize the way various offices count units in that program. In Customs Adjudications and Trade Administration disputes, the increase in the average number of days for processing was mainly due to the clearing of a large backlog of aging files that moved from non-workable to workable status. As a result of efforts to clear out these files, inventories of workable files dropped in these programs. We believe that modest improvements made in the last year are due in large part to the more efficient allocation of workloads, and this improved trend appears to be continuing into 2002-2003, suggesting that we are well positioned to achieve our targeted performance.

A comprehensive review of our processes, practices, and procedures to determine the underlying factors contributing to slow turnaround times was completed in 2001-2002. The study confirmed that in all program areas improvements in inventory and turnaround times are possible. Approximately 130 potential opportunities to improve timeliness were identified, such as implementing case completion targets and revising procedures to enhance processes for handling the workload. The implementation of an action plan based on this review will begin in 2002-2003 and will continue over a three-year period.

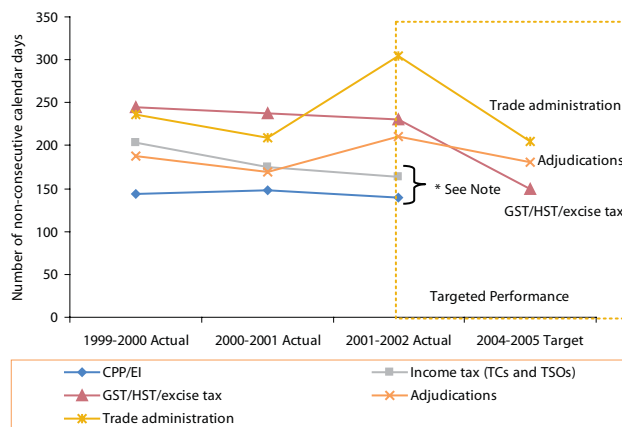
Progressively more aggressive file completion targets were developed in 2001-2002 for all but two program areas (Customs Adjudications and Trade Administration), where targets were established by summer 2002. If met, these targets will result in a significant reduction of turnaround times in most programs areas by 2004-2005. In 2004-2005, the targets will be reviewed again to determine if any adjustment is necessary. Similarly, targets to control inventories were developed in the Customs Adjudications and Trade Administration areas. It is hoped that through a combination of implementing some of the timeliness improvement opportunities, linking these targets to managers' accountability agreements, monthly monitoring of timeliness, and further reducing the staffing shortfall we will be able to meet our new targets for timeliness. These targets address timeliness as far as it is in our control; they cannot address any delays we experience in getting necessary information from clients. We are working to make clients and their representatives more aware of how our turnaround times are affected by the time they take to provide information in support of their dispute.

For 2001-2002 we had only one specific service standard impacting timeliness. As noted in Anticipated Result 1, a new service standard was introduced to contact 75% of all clients who filed disputes with a meaningful status update within 30 days of filing. We substantially exceeded this standard by notifying 82% of clients within this timeframe (see Exhibit 71). Consequently, we have raised our standard from 75% across *all* program areas to 85% for *each* program area in 2002-2003.



Appeals

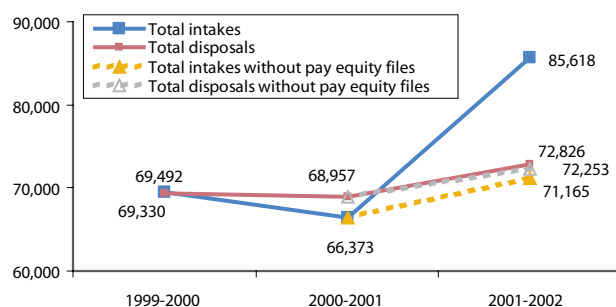
Exhibit 75: Processing Times in Average Number of Workable Days¹ for Disputes²



* **Note:** We are developing a consolidated target for income tax and CPP/EI files respectively, building on the improvements that we have realized over the last two years.

The total number of disputes received in 2001-2002 increased by 29%, due primarily to a large number of income tax disputes (14,453) filed by former and current public servants relating to the taxability of interest received on the federal government's retroactive pay equity settlement. This led to a 22% increase in our combined workable and non-workable inventory to 69,481 files (see Exhibit 77). In fact, inventories actually decreased in all program areas except income tax, where the increase was so substantial as to increase inventories overall. However, we resolved 6% more disputes than in 2000-2001 (see Exhibit 76).

Exhibit 76: Dispute Intakes and Disposals

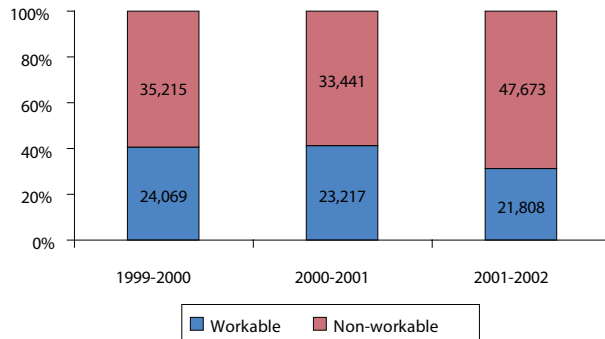


Due to factors beyond our control, primarily the litigation-bound status of the pay equity disputes, the percentage of workable files decreased to 31% of the total inventory (69,481) on March 31, 2002, down from 40% on the same date the previous year (see Exhibit 77). This growing proportion of non-workable files represents a problem in the sense that processing of these files is stalled. This adds to the length of time it takes to resolve a dispute and has a negative impact on our clients' perception of the redress process. Little can be done by the Agency to remedy this problem, however, as non-workable files are mostly outside the CCRA's control and in the hands of others, such as the courts.

1. Processing time means the average number of calendar days between the date of mailing of the *Notice of Objection* and the date the client was notified of a final CCRA decision, excluding the number of days the file was in non-workable status.
2. These statistics represent average processing times; it is important to recognize that cases with complex issues in dispute can often take up to several years to resolve, especially if appealed to court.

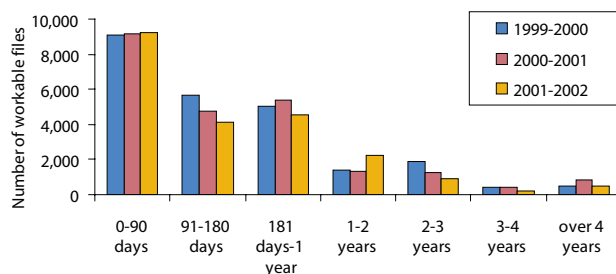
Appeals

Exhibit 77: Percentage of Workable and Non-workable Files in Inventory³



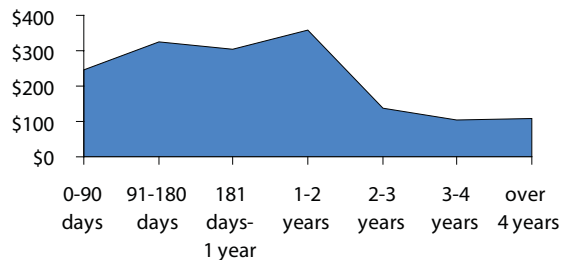
Aside from turnaround times, the age of our case load also remains an issue. We did, however, make progress in reducing the average age of our workable inventory (Exhibit 78). Most of our files are in the first three categories (up to one year old.) The total number of workable files aged one year or less dropped 7% in 2001-2002. The number of workable files more than one year old has decreased by over 6% since 1999-2000, positively impacting on overall timeliness of case resolution.

Exhibit 78: Dispute Inventory by Age – Number of Workable Files³



The dollar value of taxes in dispute in workable files decreased by \$303 million in 2001-2002. This resulted from the combination this year of a \$644 million drop in the value of workable cases, with a \$341 million increase in the value of non-workable files. The value of amounts in dispute in non-workable cases at the end of the year constituted 80% (\$6.5 billion) of the total tax dollars involved, representing an increase of 35% over 1999-2000, when it was \$4.8 billion. Exhibit 79 shows the distribution of workable files in terms of tax dollars.

Exhibit 79: Dispute Inventory by Age – Tax Dollars In Workable Files (\$ million)



3. Inventories are calculated at the end of each fiscal year, as of March 31.



Appeals

Work also continued on our complexity factors initiative, to more precisely evaluate the required financial and human resources to handle specific types of workloads based on their complexity. Some 42 potential factors have been identified, and 18 are being considered for a pilot test of income tax and GST workloads in the second half of 2002-2003.

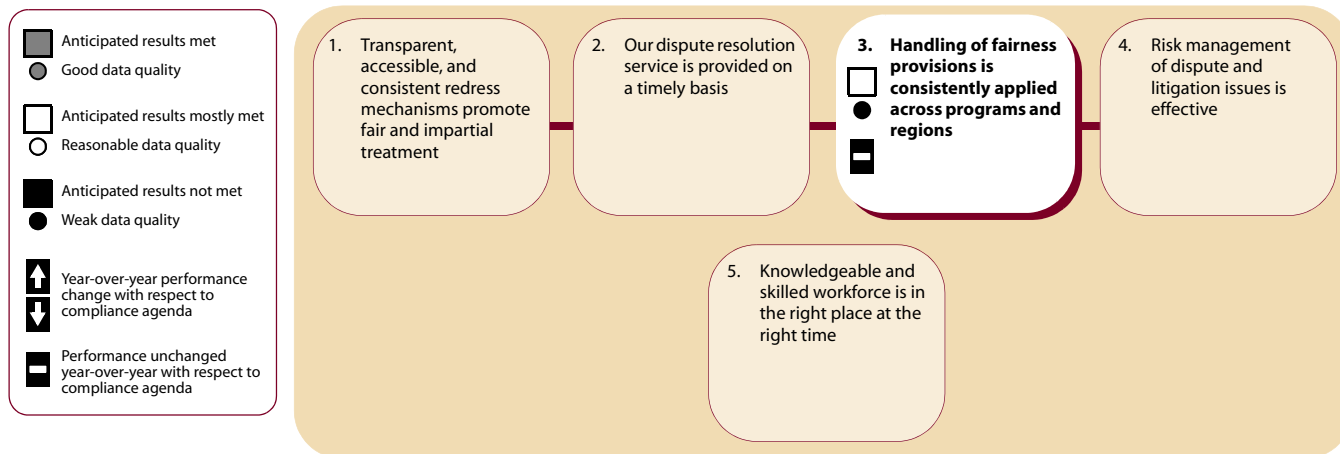


Appeals

Managing the Compliance Continuum

Expected outcome: Canadians receive an impartial and timely review of contested decisions through our redress system

Anticipated Result 3



Conclusion

We believe that we are consistently applying the fairness provisions throughout the CCRA, but this opinion is largely based on a qualitative assessment. While quality assurance and monitoring programs will be implemented beginning in 2002-2003, the tools designed to track the application of the provisions are still insufficient.

Success Criteria

Staff training, guidelines, and procedures promote the consistent application of the fairness provisions. CCRA monitoring programs confirm that the fairness provisions are being applied consistently across programs and regions.

Highlights

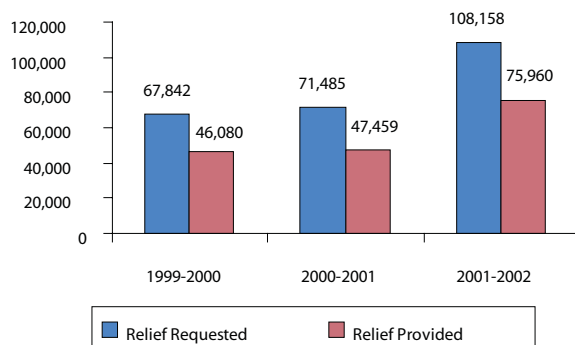
Administering the fairness provisions is an increasingly important part of CCRA operations, especially given rapid growth in the number of requests. Our administration of these provisions must itself be fair. This depends heavily on ensuring the application of guidelines for determining whether relief from penalties and interest should be awarded is consistent across cases, program areas, and regions.

In 2001-2002, the CCRA provided relief in 75,960 out of the 108,158 cases where clients requested it under the fairness provisions (see Exhibit 80). In addition, relief from penalties and interest was granted automatically in another approximately 1.8 million cases.



Appeals

Exhibit 80: Requests and Relief Under the Fairness Provisions



The total value of interest and penalties forgiven (including waivers) in 2001-2002 increased significantly to an estimated \$288 million (see Exhibit 81). This figure includes an estimated \$97 million in automatic waivers. The increase in requests and the value of interest and penalties waived or cancelled reflects the higher profile that the program has achieved over time. Nevertheless, the overall proportion of requests granted to requests processed remained stable from last year.

Exhibit 81: Total Value of Interest and Penalties Forgiven (\$ million)

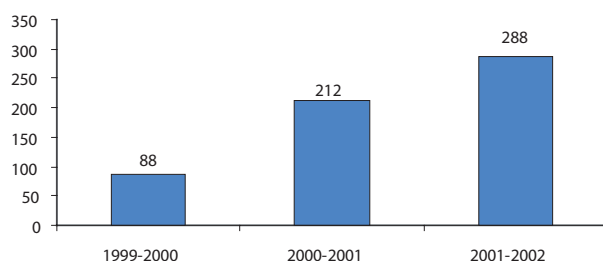
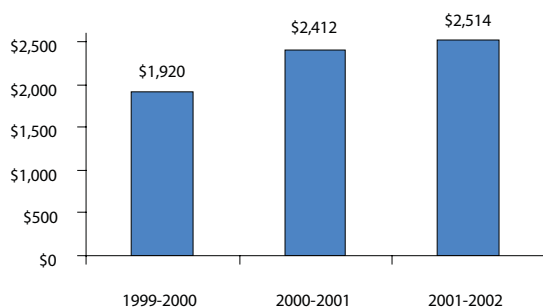


Exhibit 82 illustrates how the value of penalties and interest forgiven per request has increased substantially in the last three years.

Exhibit 82: Penalties and Interest Forgiven per Request Granted



Appeals

A reference guide was issued to field office staff in 2001-2002 to promote consistency and accuracy in the processing of fairness requests at service points throughout Canada. While helpful, by itself this tool is inadequate given rapid growth in the number of fairness requests and the dollar value involved. A review of the Fairness Registry, our system for tracking requests and decisions relating to cancellations of interest and penalty assessments, was initiated in 2001-2002. The Registry does not currently capture all information relating to fairness requests (such as amounts waived), a shortcoming noted by the Office of the Auditor General. To ensure consistency in dealing with fairness requests, the existing request approval procedures and tracking systems must be enhanced, monitoring of the consistency of decisions expanded, and additional records kept in the Registry. The review of the Fairness Registry is about half completed and is expected to conclude by mid 2002-2003. Subsequent transformation of the Registry will take until 2004-2005 to complete. It is expected that this transformation will address the concerns of the Office of the Auditor General.

New quality assurance and monitoring programs were successfully piloted in one tax services office during 2001-2002, and full implementation in the other offices is beginning in 2002-2003. These programs will enable us to better determine the level of consistency in Appeals decisions, including application of the fairness provisions, and our adherence to guidelines and policies. Deciding cases consistently means that we are applying the applicable legislation, policies, and jurisprudence consistently in arriving at our decisions; it does not mean that all cases will be decided equally on varying facts. We are now considering options for implementing systematic fairness monitoring in an efficient and effective way. As lead branch on fairness issues, Appeals will co-ordinate the implementation of this monitoring across all business lines.

When the fairness legislation was first implemented, no additional resources were dedicated to the initiative. The growth of the program has consumed an increasing share of our resources, contributing to delays in processing disputes. A roll-up of the costs of this program has been completed, and the results will be examined.



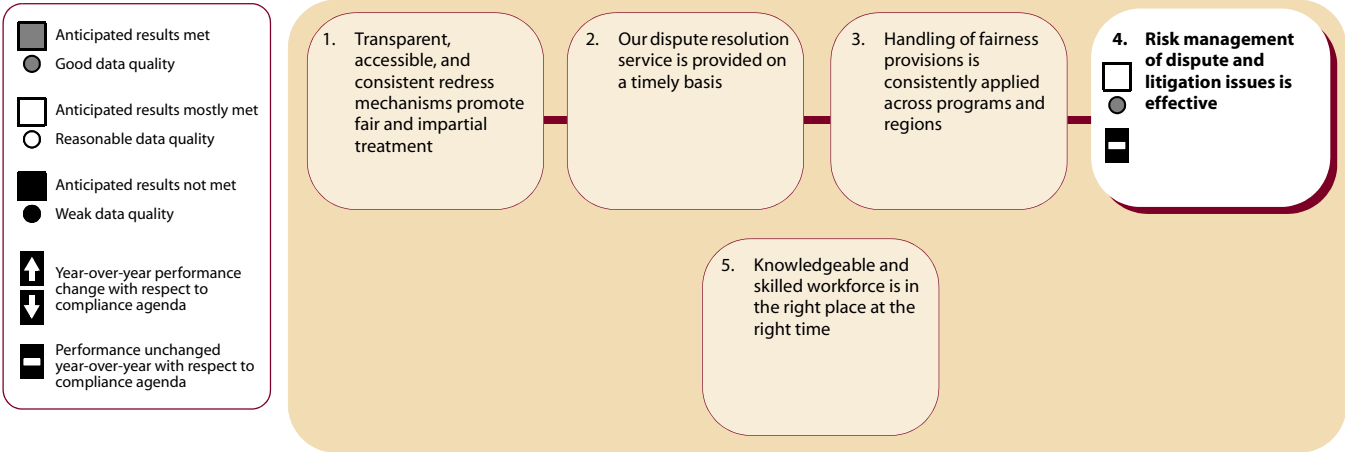


Appeals

Managing the Compliance Continuum

Expected outcome: Canadians receive an impartial and timely review of contested decisions through our redress system

Anticipated Result 4



Conclusion

In our judgement, our risk management of dispute and litigation issues is largely effective, and our performance is stable compared to last year. A framework for managing future risk in dispute and litigation issues is in place, and quality assurance and monitoring programs will be implemented beginning in 2002-2003.

Success Criteria

Risk management approach gives assurance that complex cases are handled where expertise exists, and non-complex cases are resolved consistently.

The vast majority of cases are resolved before reaching the courts.

The majority of decisions appealed to the courts are resolved in favour of the CCRA.

Highlights

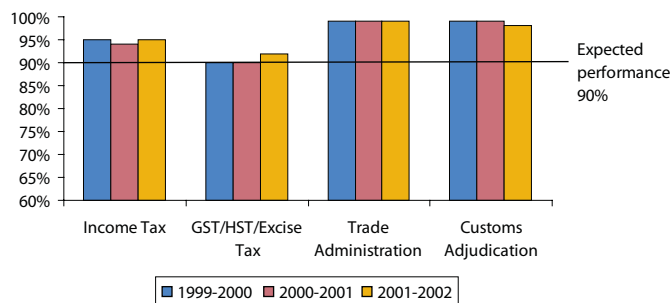
Risk management is essential to promoting the consistent and fair resolution of disputes and litigation within a reasonable time. Our key goals are: resolving most cases at the administrative level; pursuing appropriate cases to the courts; prevailing in a majority of those cases that do go to court; monitoring the consistency and fairness of our decisions; and identifying desirable legislative changes arising from court decisions. As well, we seek to minimize the potential impact of those cases that could lead to a broader, unintentional erosion of the tax base, or to other societal implications, through early identification and proposals to the departments of Finance and Justice to address needed clarifications.

Appeals

In general, we believe that our risk management is largely effective in relation to these goals. As promised, we introduced a risk management framework to bring coherence to our practices. The framework included developing an orientation manual for Appeals managers and designating a senior Appeals manager in each region to act as a risk management “champion” to help co-ordinate risk management from a regional perspective. The framework is intended to allow us to better identify risk at an early stage, and therefore to better manage risk throughout the process.

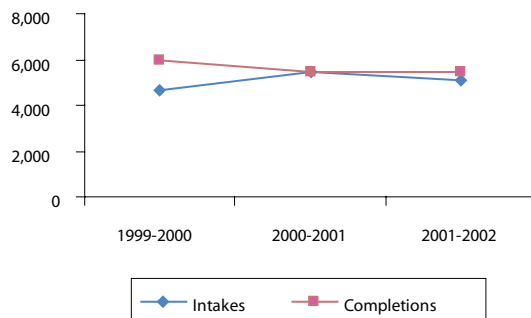
The percentage of cases resolved administratively is already very high (above 90%) for all programs except CPP/EI (see Exhibit 83); the unique role of the CCRA in CPP/EI disputes makes comparisons with these other programs difficult.

Exhibit 83: Administrative Resolution Rates



In 2001-2002, 5,109 appeals were filed in all levels of court (see Exhibit 84). Of those income tax and GST/HST/excise tax disputes that were appealed to the courts, which represent the majority of our litigation business, about 64% were withdrawn or were settled before a hearing. This represents an improvement of 5% compared to 2000-2001.

Exhibit 84: Litigation Intakes and Completions



Our success rate for the year at the first level of court dropped slightly for the year (by 6 percentage points). Approximately 59% of appeals that proceeded to the first level of court were decided in favour of the Crown, compared to 65% in 2000-2001 (see Exhibit 85). We operate on the understanding that in a responsive and fair system, there will always be some cases ruled against the Crown. Nevertheless, the majority of cases have historically been decided in the Crown’s favour, and slight fluctuations in case outcomes are not indicative of performance on litigation management issues.

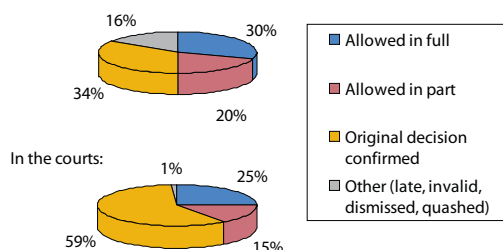


Appeals

New programs addressing quality assurance and monitoring of consistency in case decisions were successfully piloted at one tax services office. Implementation of these programs will begin in 2002-2003. Once they are fully implemented, we will be able to confirm the actual level of consistency overall in our appeals case decisions. We regularly review cases in dispute and court decisions to identify possible areas for legislative change. For example, during 2001-2002 a legislative amendment that we proposed regarding the goods and services tax credit was enacted. This legislative change clarified issues surrounding the awarding of the credit when couples separate or divorce, and should reduce the number of disputes and appeals in this area.

Exhibit 85: Outcome of Clients' Disputes and Appeals in 2001-2002

Resolved administratively:



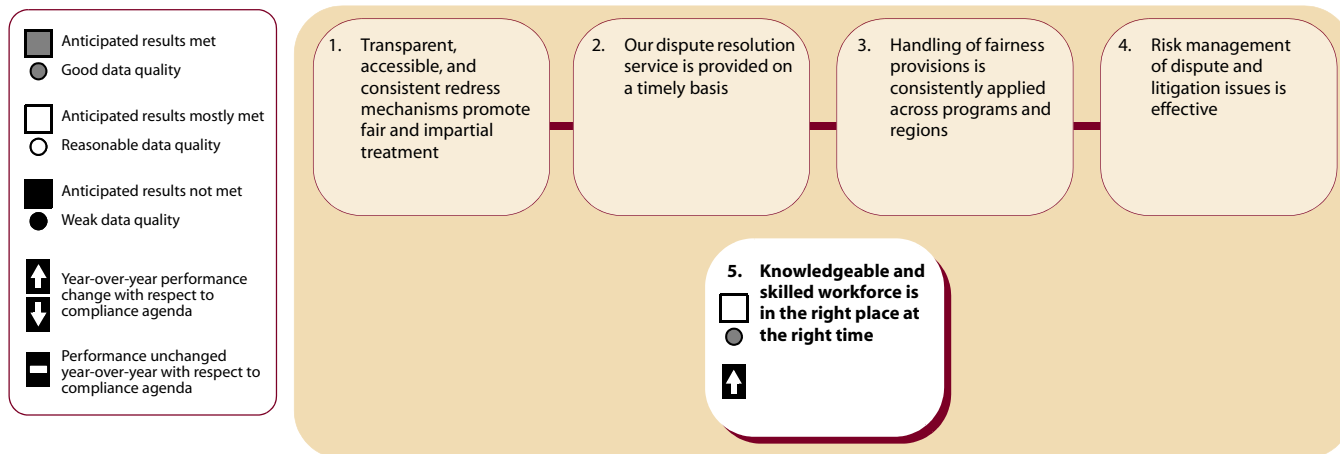
The costs of our work in court litigation and at the Canadian International Trade Tribunal are largely outside our control. In recent years, the cost of retaining private-sector expert witnesses to defend the Crown's position in court appeals has risen dramatically, affecting our overall ability to manage risk. Costs grew from \$374,000 in 1995-1996 to about \$2.5 million in 2000-2001. In 2001-2002 they decreased to \$1.8 million. Accurately predicting expert witness costs is particularly challenging, as the requirement for experts depends entirely on the nature and complexity of the issues being litigated, and these vary from year to year.

Appeals

Managing the Compliance Continuum

Expected outcome: Canadians receive an impartial and timely review of contested decisions through our redress system

Anticipated Result 5



Conclusion

We believe that our Appeals staff is knowledgeable and skilled, but we have not always been successful in having sufficient staff in the right place at the right time.

Success Criteria

Reducing our staffing shortage to a level of no more than 5% of allowed funding, and making progress in training our workforce.

Highlights

Having a knowledgeable and skilled workforce in the right place at the right time is key to providing an impartial and timely review of contested decisions.

In 2001-2002, all Appeals staff positions were reviewed and profiles of required competencies were established as part of the move towards the CCRA's new competency-based human resources management regime. In addition, a new position of branch learning agent was established and staffed at Headquarters to co-ordinate Appeals training and to identify current and future learning needs. These initiatives are expected to help ensure that the workforce we have is **knowledgeable and skilled**. To allow for a branch reorganization, completion of the training framework begun last year was delayed until 2002-2003.

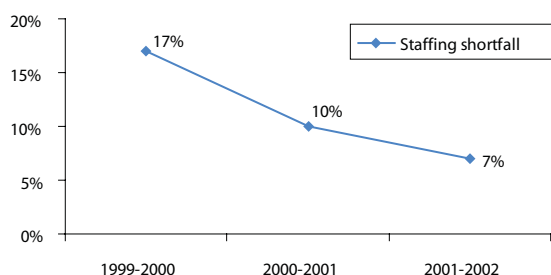
Our primary difficulty continues to be having sufficient staff in the **right place at the right time**. Recruitment and retention are major, ongoing challenges. Given these pressures, field offices are frequently forced to operate with fewer staff than funding would otherwise allow, hampering our efforts to have staff in the right place at the right time.



Appeals

We were again unsuccessful in staffing at planned levels in 2001-2002, which had a somewhat negative impact on our ability to provide timely dispute resolution. A more aggressive approach to human resources management, consisting largely of strategic increases in staffing levels, nevertheless enabled us to reduce our staffing shortfall from 10% in 2000-2001 to 7% this year (see Exhibit 86).

Exhibit 86: Staffing Shortfall Compared to Authorized Funding








In an attempt to improve turnaround times despite the staffing shortfall, some workloads were transferred both inter-regionally and intra-regionally. As anticipated, processing times for income tax files improved following this change. Long term solutions to improving processing times are being evaluated now (see Anticipated Result 2). Also, we plan to review our corporate structure and our staff positions with a view to enhancing the profile of the work done by Appeals staff.



Innovating for the Future (Year 2 of 5)

Expected outcome: Canadians receive an impartial and timely review of contested decisions through our redress system

Anticipated Result 6

-  Anticipated results met
-  Good data quality
-  Anticipated results mostly met
-  Reasonable data quality
-  Anticipated results not met
-  Weak data quality
-  Performance exceeded or did not meet year 2 of 5 expectations with respect to innovation
-  Performance on track with year 2 of 5 expectations with respect to innovation

6. Fairness principles are applied and integrated across all programs



Conclusion

The principles of fairness are generally applied and integrated across the CCRA, although a monitoring framework should now be developed to ensure that fairness continues to be addressed in future years.

Success Criteria

Commitments under last year's Road Ahead are met, and the backlog of Voluntary Disclosures cases is kept to a minimum

Highlights

One of the main innovation goals of the CCRA over the last few years has been to integrate and apply the **principles of fairness** across all of our programs and business lines. This goal has generally been achieved. However, at present we have no formal framework in place to measure and assess whether the principles are being applied and integrated in all program areas across our operations, therefore we are relying on informal management assessments. The CCRA needs this monitoring framework to prevent possible slippage in the application of the principles in the future, as our business changes and our attention shifts to address new, emerging priorities.

The 7-Point Plan for Fairness, begun in February 1999, describes the actions that were taken to achieve greater fairness in the CCRA's dealings with Canadians (see Exhibit 87). This plan is now implemented agency-wide. In accordance with this plan, major publications across all business lines communicate the fundamental right to appeal to potential clients, and the Voluntary Disclosures Program provides clients with an opportunity to correct past errors and omissions without penalty. Continued efforts are made in areas requiring the use of discretion, such as in the application of the fairness provisions. These efforts demonstrate our commitment to the application and integration of fairness principles throughout the Agency.



Appeals

A shift from implementation to monitoring fairness as a corporate value is now required. The Balanced Scorecard that is being developed may be one way in which to measure and assess our performance in applying the fairness principles, and ensuring they are integrated into our day-to-day business operations to manage the compliance continuum and encourage voluntary compliance.

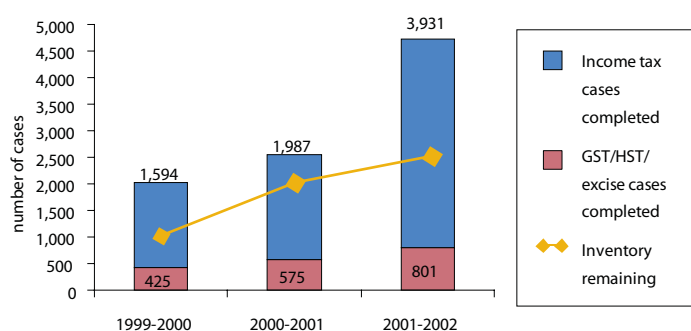
Exhibit 87: The 7-Point Plan for Fairness

Point 1	We will develop a comprehensive guide on the rights of our clients.	✓	Point 5	We will identify credits, benefits, and overpayments for clients.	✓
Point 2	We will publish standards for the service we provide.	✓	Point 6	We will provide clients an opportunity to correct any omissions in their past dealings with us without penalty.	✓
Point 3	We will do a better job communicating with our clients.	✓	Point 7	We will do a better job applying the provisions related to fairness in the laws we administer.	✓
Point 4	We will better equip our employees to respond to client needs.	✓			

In 2001-2002, our focus was on strengthening the CCRA's fairness culture and practices. To this end, we produced an information guide for employees containing an overview of the Fairness Initiative and its implementation. We also produced a handbook about fairness as a corporate value, distributing 35,000 copies to managers and supervisors across the country to be forwarded to employees. The handbook gives employees basic information and tools to help them better understand what fairness means at the CCRA, and identifies ways they can incorporate the principles of fairness into their daily work environment.

A key element in the 7-Point Plan for Fairness—the Voluntary Disclosures Program for income tax and GST/HST/excise tax cases—continued to expand in 2001-2002, spurred by additional promotion through field outreach activities and advisory committees, and by the fact that the responsibility for co-ordinating the program was moved from the audit area to Appeals. This strengthened its perceived impartiality and fairness. The number of cases completed under the Voluntary Disclosures Program almost doubled, to 4,732 cases from 2,562 the previous year (see Exhibit 88), and revenues to the Crown increased by 61% to an estimated \$230 million, compared to \$143 million last year (see Exhibit 89).

Exhibit 88: Voluntary Disclosures Program – Cases Completed and Inventory



Appeals

This increase in workload has resulted in a growing inventory of voluntary disclosure applications carried over from one year to the next. Inventories in 2001-2002 increased to 2,459 files, an increase of 28% over the year before. Appeals has recognized the growing inventory to be a problem and is working on an action plan to reduce it. This will become an increasingly important initiative, as a 40% growth in intakes is expected in 2002-2003 and a 10% growth in subsequent years. Nevertheless, the proportion of cases in inventory to cases completed fell from last year's levels. A stable source of dedicated funding to adequately support the program is being sought, so that resources are not taken away from vital areas such as dispute resolution.

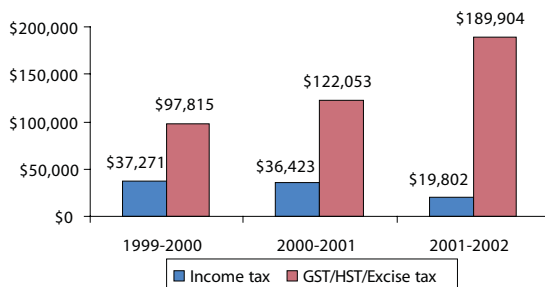
The above initiatives demonstrate our commitment to the application and integration of the fairness principles throughout the Agency.

Exhibit 89: Related Assessments for Completed Voluntary Disclosure Cases



The estimated average additional tax revenue per voluntary disclosure file for GST/HST/excise tax has increased over the past few years, while for income tax, it has decreased (see Exhibit 90). As shown previously, GST/HST/excise tax files form only a small percentage of all voluntary disclosure files received (see Exhibit 88).

Exhibit 90: Estimated Average \$ Value of Related Assessments per Completed Voluntary Disclosure File





Appeals

The Road Ahead

Progress Against the 2000-2001 Road Ahead

Targeted Areas for Improvement*	Targeted Completion Date*	Status	On Track During 2001-2002?	Roll Into Road Ahead 2002 and Beyond?
Improved timeliness of dispute processing	2001-2002	<p>Marginal gains in timeliness were achieved in some programs; recommendations for further improvements across all programs have been identified and are being implemented. In addition:</p> <ul style="list-style-type: none"> • Targets for case completion times were established during 2001-2002, for all but two program areas. These targets will run until 2004-2005. • Quality assurance and monitoring programs were successfully piloted, and implementation will begin in 2002-2003. • A branch learning agent has been designated to assess training needs for staff. • Due to Branch reorganization, the remaining elements of the training framework have been delayed until next year. 	☑	Yes See items 4, 5, 6, 8, and 9
Better information to identify areas for improvement	2002-2003	A survey of client satisfaction has been postponed until 2003-2004, so that some of the recommendations to improve timeliness can be implemented first.	✗	Yes See item 2
Improved accessibility to the redress process	2001-2002	Internet filing of notices of objection for income tax and GST/HST/excise cases was studied, with positive results.	✓	Yes See item 3
Enhanced quality of decisions	2001-2002	<p>A risk management framework has been implemented. In addition, a follow-up manual on risk management has been developed and will be rolled-out in 2002-2003.</p> <p>Quality assurance and monitoring programs were successfully piloted, and implementation will begin in 2002-2003</p>	✓	Yes See item 6
Better assurance that legislative provisions are applied consistently	2002-2003	<p>A review of the Fairness Registry has been initiated, and results should become available in 2002-2003.</p> <p>Quality assurance and monitoring programs were successfully piloted, and implementation will begin in 2002-2003</p>	✓	Yes See items 6, 7
Implement the CCRA's performance measurement framework	2001-2004	In step with the broader implementation of the Balanced Scorecard, work progressed on the development of Balanced Scorecard measures and indicators. However, at a corporate level, the Agency did not progress as expected, falling short in the overall phased-in implementation of the BSC (see page 197). We are now back on track in 2002-2003.	✗	Yes See item 4

✓ On track

☑ Mostly on track

✗ Not on track

*Source: Prior-year Annual Report to Parliament (2000-2001)

The Road Ahead – 2002 and Beyond

In light of the above discussion of our performance, we will pursue in 2002-2003 and beyond the following priorities to improve our performance:

1. Increase the target for our 30-day client contact service standard to 85% in 2002-2003, with a further review of the target in 2003-2004 (Anticipated Result 1).
2. Conduct a branch-wide survey of client satisfaction in 2003-2004. Results are expected to be at least as positive as the results of the 1998 survey (Anticipated Result 1).
3. Continue the planning, systems design, and technology acquisition necessary to offer clients the option of filing certain notices of objection via the Internet by 2003-2004 (Anticipated Result 1).
4. Implement selected timeliness improvement recommendations, including progressively more aggressive case completion targets, and continuing support for the ongoing implementation of the CCRA's performance measurement framework (Anticipated Result 2).
5. Conduct a pilot study of file complexity factors to better predict turnaround times and required resources (Anticipated Result 2 and 4).
6. Implement programs for quality assurance and for monitoring the application of the fairness provisions and the principles contained in the 7-Point Plan for Fairness (Anticipated Results 3 and 6).
7. Complete the review of the Fairness Registry (Anticipated Result 3).
8. Implement the remainder of the training framework (Anticipated Result 5).
9. Make additional progress in reducing the staffing shortfall (Anticipated Result 5).



Appeals Attachment 1

Attachment 1: Logic Model

This following logic model offers a roadmap showing the links between our inputs, activities and outputs that are essential to achieving our anticipated results in support of our expected outcome. It also shows how these fit into the Agency's overall strategic outcomes. This logic model is the foundation of our performance report card which summarizes our performance against each anticipated result.

Appeals Logic Model						
Mission: Promote compliance with tax, trade, and border legislation and regulations, thereby contributing to the economic and social well-being of Canadians						
Inputs	Key Activities	Outputs	Anticipated Results	Success Criteria	Expected Outcome	Strategic Outcome
Staff and other resources	Client service	Forms and publications File disclosure Personal calls	Transparent, accessible, and consistent redress mechanisms promotes fair and impartial treatment	Continuing high levels of transparency, accessibility, and consistency	Canadians receive an impartial and timely review of contested decisions through our redress system	Canadians comply with tax, trade, and border legislation and regulations
Other business lines and branches	Dispute resolution	Workload redistribution Timeliness recommendations Case completion targets	Our dispute resolution service is provided on a timely basis	Turnaround times decrease Productivity increases Average age of workable inventory declines as files resolved faster		
Other departments and agencies	Fairness monitoring	Fairness tools and guidelines Quality assessments	Handling of fairness provisions is consistently applied across programs and regions	Trained staff and procedures promote consistent application of fairness Monitoring confirms consistent decisions		
Court decisions	Program management	Workload allocation Risk assessments Quality assessments Administrative resolutions Legislative amendments	Risk management of dispute and litigation issues is effective	Non-complex cases resolved consistently Complex cases handled where appropriate Most cases resolved administratively Courts support CCRA decisions		
Legislative framework (federal, provincial, and territorial)	People management	Sufficient staff Trained staff	Knowledgeable and skilled workforce is in the right place at the right time	Reduced staffing shortage Trained workforce		
	Business transformation	Integrated fairness provisions Voluntary disclosures	Fairness principles are applied and integrated across all programs	Fairness integrated Minimum backlog of voluntary disclosures		



Corporate Management and Direction



Corporate Management and Direction

Rating System



Anticipated results met

Rating is based on good data quality – Performance rating based on management judgement supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results mostly met

Rating is based on reasonable data quality – Performance rating based on management judgement supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods



Anticipated results not met

Rating is based on weak data quality – Significant gaps in robustness of performance information; performance rating based on management judgement supported by entirely or predominantly qualitative information from informal sources or methods

Variance



Year-over-year performance improved for **Managing the Compliance Continuum**



Year-over-year performance remained unchanged for **Managing the Compliance Continuum**



Year-over-year performance declined for **Managing the Compliance Continuum**



Performance exceeded expectations for year 2 of 5 for **Innovating for the Future**



Performance on track with expectations for year 2 of 5 for **Innovating for the Future**



Performance did not meet expectations for year 2 of 5 for **Innovating for the Future**



Corporate Management and Direction

About *Corporate Management and Direction*

Corporate Management and Direction provides strategic direction and executive oversight in support of all CCRA programs and services. It guides the establishment and maintenance of systems and practices that support effective governance and the effective management of people, financial resources, information technology, and administration.

This business line also provides a broad range of internal services to employees and managers, from strategic planning, performance reporting, human resources management, and financial and systems management, to security and procurement, real property management, and telephony systems and networks. Over the past two years, considerable emphasis has been placed on guiding and supporting the implementation of the CCRA's far-reaching change agenda designed to take advantage of our new status as an agency.

Our independent Board of Management, required by our agency status, has brought insights and experience from provincial, private, and other sectors—providing the stretch that helps ensure we implement the best possible approaches and business practices. This added contribution also supports the change in our culture from department to agency. As we transform our way of doing business, we seek to learn from other organizations and share our lessons learned with our partners within the federal government and other jurisdictions.

Some of our key activities are listed below:

Key Volumetrics

- Supported over 200 information technology applications that compose the systems that were critical to the delivery of services to Canadians
- Processed over 50,000 staffing actions (acting appointments, lateral transfers, temporary staffing, internal and external staffing), including 4,500 full-time hires
- Issued some 30,000 contracts for goods and services
- Handled over 3,100 privacy and access to information requests
- Provided facilities management for more than 750 facilities across Canada

Spending Profile

In 2001-2002, 21% (\$767 million) of the CCRA's overall budget was devoted to the Corporate Management and Direction business line. Of this, we spent \$730 million.

The largest share of Corporate Management and Direction's resources (approximately 43%) was spent on information technology (IT). The CCRA has the largest IT workforce in the Public Service, which supports some 50,000 Agency employees (at peak periods) in over 750 locations across Canada. In the future, we will allocate some of these IT investments to other business line budgets in instances where implementation or staged implementation of alternative programs or service delivery arrangements is completed.

Corporate Management and Direction

The second largest share of Corporate Management and Direction's resources (about 36%) was spent on finance and administration, including corporate and executive services. Approximately 18% was devoted to the human resources function. The remaining 3% was spent on a number of areas including corporate audit and evaluation.

Through the administrative reform and renewal initiative, we will seek to achieve greater operational efficiency and ensure that we have the right balance of spending between our program and corporate support areas.

Exhibit 91 provides a summary of authorities, spending, and full-time equivalents (FTEs) for the three previous fiscal years. Corporate Management Direction spending increased over the previous year, as a result of new initiatives undertaken with funding received by the Agency as a result of the Resource and Management Review, the February 2000 Federal Budget Omnibus Submission and other changes.

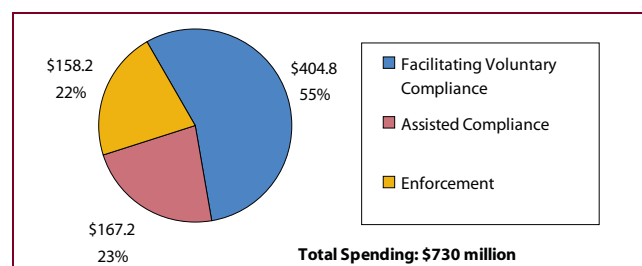
Exhibit 91: Business Line Spending

Corporate Management and Direction	1999-2000	2000-2001	Percentage Increase	2001-2002	Percentage Increase
Planned Spending (\$000) ^a	489,884	557,848	13.9%	602,664	8.0%
Allocation of Authorities ^b (\$000)	647,035	690,517	6.7%	767,460	11.1%
Actual Spending (\$000)^c	623,623	628,602	0.8%	730,116	16.1%
Planned FTEs ^d	5,890	6,661	13.1%	6,541	-1.8%
Total FTE Authorities ^d	6,788	7,054	3.9%	8,011	13.6%
Actual Number of FTEs^e	6,559	6,456	-1.6%	8,729	35.2%

- Planned Spending is the Agency published Main Estimates (spending approved by Parliament at the beginning of the fiscal year). These figures are net of spendable revenues (Revenues credited to the Vote).
- Total spending authority provided by Parliament for the fiscal year. It includes Main Estimates plus any in-year Supplementary Estimates and year-end approvals. These figures are net of spendable revenues.
- Actual spending is net of spendable revenues.
- Estimates of FTEs based on Parliamentary approved Planned Spending and Authorities for dollars.
- For 2001-2002, the allocation of Information Technology Branch resources to this business line is done on a different basis than the authorities and the previous years, making year-over-year comparison difficult. The CCRA is taking steps to better align these Authorities and Actual data by business line.

Exhibit 92 provides the distribution of resources across the compliance continuum for the Corporate Management and Direction business line

Exhibit 92: Total Corporate Management and Direction Resources Allocated to the Compliance Continuum for 2001-2002 (\$million)



Note: These percentages are based upon management's best estimate of actual business line spending on compliance continuum activities.



Corporate Management and Direction

Evaluating Our **Overall Performance**

We Have One Expected Outcome

Corporate Management and Direction supports the achievement of the CCRA's two strategic outcomes—compliance and innovation—through the results it achieves against the following expected outcome: ***Performance of our business services and operations is maximized through modern and innovative management approaches.***

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

Now that we are an agency, Canadians expect us to realize greater advances than we could as a department. This means leveraging our newfound flexibility as a separate employer and custodian of our financial management policies, among others, to develop customized administration in support of better, faster, more affordable service to Canadians. We continue to put in place the tools and systems we need to achieve significant changes: human resources reform and renewal, administrative reform and renewal, and transparent management for results. At the same time, we are striving for further enhancements in our core programs, where appropriate. Our platform for change is found in the CCRA's Summary of the *Corporate Business Plan*.

Performance Context

Innovation is at the heart of the CCRA's change agenda and is being pursued through four change objectives. The number-one objective, business transformation, is about providing the best possible service to Canadians. The three other objectives are the enablers—human resources reform and renewal, administrative reform and renewal, and transparent management for results—designed to strengthen our internal capacities to deliver on this service commitment.

As we work towards achieving the CCRA's innovation agenda in this business line, our challenge in Corporate Management and Direction is to support the design, implementation, communication, and monitoring of the enabling objectives, while also ensuring that the CCRA delivers its ongoing programs effectively through its business lines.

We also need to be able to react quickly and adapt our plans when faced with unexpected circumstances, such as ensuring the safety of our employees following the events of September 11.

Corporate Management and Direction

After two and half years as an agency, we have put in place the key enablers to facilitate the achievement of the CCRA's overall innovation objectives. Changes to date have focused on operationalizing the unique governance and accountability structures that make the CCRA much more answerable for the results it achieves. We have also developed a new management policy framework and implemented new agency flexibilities in the following areas: human resources (for example, staffing, staffing recourse, classification, and bargaining), real property (for example, leasing and facility management), financial management, and administrative policies. These drive our performance efforts in Corporate Management and Direction and support the Government's broader agenda for change.

Similarly, we are continuing our efforts to reform our measurement culture in the Agency—a significant challenge for an organization of this size and complexity.

While much has been accomplished to date, more is needed to get the job fully done. In particular, Corporate Management and Direction will continue to play a pivotal role in the ongoing maturing of the Agency's governance and strategic oversight processes to ensure that together all business lines provide the best possible service to Canadians. Through the successful implementation of the CCRA's innovation agenda, we expect to be well positioned to support the parliamentary review of the *Canada Customs and Revenue Act* that could happen as early as 2004.

High-level Success Criteria

Below, we assess our performance against our expected outcome using the following high-level success criteria:

- our strategic direction and agency oversight lead to continued success in meeting our strategic outcomes in terms of compliance and innovation;
- we put in place a modern management infrastructure that helps us balance efficient use of the CCRA's resources and successful program delivery;
- we incorporate best practices from other jurisdictions, and share the lessons we learn in innovating our systems and practices with the rest of the Public Service of Canada and other public- and private-sector organizations; and
- through our openness in reporting on our results, we have a positive impact on public confidence and Parliament's trust in our ability to be an effective service provider for all levels of government.

Later, in the sections from pages 183 to 207, we discuss in detail our performance against each of our eight anticipated results, using more detailed success criteria that are built on the high-level criteria. The "Corporate Management and Direction Performance Report Card" shown in Exhibit 93 provides a two-page summary of our performance.

Conclusions Against Expected Outcome

On balance, we believe that we generally met expectations and are on track toward meeting our expected outcome in the context of the new flexibilities of our agency status. The year was marked by significant achievements, but also by some setbacks.



Corporate Management and Direction

We have successfully put in place our governance and senior management committee structure. However, we need to continue to improve both the quality of information that is used and how it is integrated for decision-making. The achievements in our human resources reform and renewal agenda were especially noteworthy—for example, the creation of our Management Group (MG), comprising some 3,200 managers. This will strengthen the coherent management presence at the front line, which will drive the CCRA's business transformation initiatives. The creation of the MG group has already attracted interest from outside the agency as an example of human resources (HR) innovation. We also achieved some advances in our administrative reform and renewal agenda. Building on our transparent management for results agenda, our *Corporate Business Plan* (including its Summary) now reflects both our core operations and our innovation agenda, and establishes the link to our annual reporting framework. The tabling of our first Annual Report was a further illustration of our commitment to reporting transparently on our program results.

However, the CCRA's reputation for sound financial management was seriously damaged by the discovery of an error in the application of the capital gains refunds earned by mutual fund trusts (the T3 issue). This error resulted in overpayments to a number of provinces totalling about \$3.4 billion for the 1993 to 1999 tax years. We recognized the gravity of the error, and dealt with it transparently with the Office of the Auditor General of Canada, the Department of Finance, and the affected provincial partners to respond to this issue and its root cause. We also did not make as much progress as we expected in implementing our Balanced Scorecard project for performance measurement, thereby delaying the availability of consistent, high-quality information to facilitate results-based management.

Corporate Management and Direction (CMD) carries out a number of other core activities that are not part of the discussion of the eight CMD Anticipated Results, briefly described here:

- **Internal Security** - The events of September 11 and emergency situations like the anthrax threat had a significant impact on CMD. Our security organization and infrastructure—from people, to processes, to technology—responded well. Special security measures were developed and implemented to ensure continued protection of CCRA employees, information and assets. The Clerk of the Privy Council Office commended our achievements in this area.
- **Real Property** - The CCRA holds the second largest real property portfolio in the Public Service and is responding to growing demands for office space. During 2001-2002, we implemented a Long-Term Facilities Investment Plan (LTFIP), and the BoM approved six related investment strategies. Key projects include the construction of five new border crossing facilities, a number of airport refits, and the acquisition of new leased facilities.
- **Public Affairs** - The Public Affairs Branch (PAB) was a key player in the post September 11 events. It also developed and implemented our transparent approach to communicating in regards to the Mutual Trust Fund (T3) issue. The PAB launched a successful television and Internet information campaign to assist taxpayers during the 2001 tax-filing season. In December 2001, the AMC approved a Strategic Communications Framework that fosters an integrated and synergistic Agency-wide approach to communications.
- **Information Management** - The CCRA has demonstrated leadership in the information management field by developing an Information Management policy. This policy is a key driver for the management of about 50 million pieces of correspondence a year, 20 million T1 returns, and 10 million T2 returns, as well as tens of thousands of unique titles, document copies, and authority records. The IM policy establishes the parameters for a responsive, accountable and risk-based IM capability that is aligned with the Government On-Line context.

Corporate Management and Direction

Exhibit 93: Corporate Management and Direction Performance Report Card

Corporate Management and Direction Report Card						
Expected outcome – Performance of our business services and operations is maximized through modern and innovative management approaches						
Innovating for the Future (Year 2 of 5)	Anticipated results	This year's rating	Last year's ratings	Variance	Actual results as demonstrated by	Page
	1. Effective governance regime that provides management oversight and leadership				Overall, we are on track for the implementation of a mature and fully integrated governance regime: <ul style="list-style-type: none"> Our successes include appropriate accountability through our Corporate Business Plan and an innovative first Annual Report, backed by enhanced internal audit and accountability contracts with all managers. Oversight by the Board of Management is disciplined and demanding, bringing the interests of Canadians and business-like approaches into our management processes. We must better integrate financial and non-financial information into our governance practices. 	184 183 183
	2. A cultural shift under way and growing that puts decision-making in the hands of managers				On balance, we believe that we met or exceeded our expectation in shifting the corporate culture towards values and empowerment: <ul style="list-style-type: none"> Decision-making was placed more squarely in the hands of managers, who will power the cultural change. Results-based management expectations are now embedded in performance agreements with almost 600 executives and over 3,000 MG group members. We have introduced greater delegation of authorities in the areas of human resources, real property, financial management, and administrative policies, but more training is needed in these areas. 	186 186 186
	3. Leadership in human resources (HR) reform that is in tune with business objectives				During the first two years of our five-year human resources reform and renewal plan, we achieved some breakthroughs and met all the other key project expectations. We anticipate completing the plan on time: <ul style="list-style-type: none"> A breakthrough was achieved in the creation of a MG group of about 3,200 managers previously managed through 20 classification standards. Last year we completed negotiations of unique performance rewards for people management with the Public Service Alliance of Canada and with one bargaining unit of the Professional Institute of the Public Service of Canada. All negotiations with PIPSC were concluded as of July 2002. Commitments in the Corporate Business Plan flow through executive cadre performance agreements to more than 70% (28,749) of permanent employees' performance expectations. 25,000 individual learning plans were developed by employees, exceeding expectations. Piloted the implementation of pre-qualified pools of candidates within the competency-based resourcing system. Many employees are facing delays in receiving acting or overtime payments. Some HR data in the Corporate Administrative System (CAS) is still unreliable, reducing the benefits of CAS. 	189 190 190 189 189
	4. Modern comptrollership regime that fosters management and service excellence				We progressed on all aspects of the transparent results-based management approach, but have had some performance shortfalls. Efforts are not sufficiently integrated to provide a holistic approach: <ul style="list-style-type: none"> An Agency Comptroller, at the Deputy Assistant Commissioner level, was appointed, and the Modern Comptrollership Office was established. The Balanced Scorecard will improve reporting, but is behind schedule. Insufficient priority given to investment in modernizing some of our financial systems and practices. 	198 197 197



Corporate Management and Direction

Corporate Management and Direction Report Card						
Expected outcome – Performance of our business services and operations is maximized through modern and innovative management approaches						
	Anticipated results	This year's rating	Last year's ratings	Variance	Actual results as demonstrated by	Page
Managing the Compliance Continuum	5. Confidentiality of client information is protected				<ul style="list-style-type: none"> ↑ We have had significant improvement since last year in our compliance with <i>Privacy Act</i> legislated time frames, from 89.5% to 98.4%. 	200
	6. Canadians' desire for transparency in public administration is addressed				<ul style="list-style-type: none"> ↑ We have had significant improvement since last year in our compliance with <i>Access to Information Act</i> legislated time frames, from 84.5% to 93.7%. This improved our grade given by the Information Commissioner from "C" to "B" ■ Our business plan and annual report, and our open response to the T3 issue, demonstrate our commitment to transparency 	200
	7. Sound financial and treasury management				<ul style="list-style-type: none"> ↓ Error in allocation of capital gains refunds earned by mutual fund trusts (T3). Corrective measures taken. 	202
					<ul style="list-style-type: none"> ↑ We exercised prudent fiscal management by staying within our budget, identifying about \$50 million of expected savings due to administrative reform and renewal, and enhancing our asset management and investment plan. 	203
					<ul style="list-style-type: none"> ■ We exercised sound cash management of \$239 billion of receipts, meeting the 24-hour standard for deposits 98% of the time (up from 97% last year). A monitoring management system is still needed to cover the \$62 billion in customs duties, GST/HST, and excise duties and tax receipts, and legacy costing systems limit our financial management capability. 	202
					<ul style="list-style-type: none"> ■ Financial Information Strategy (FIS) Phase II was initiated. 	203
					<ul style="list-style-type: none"> ■ Continued timely implementation of the Sustainable Development (SD) Strategy. 	204
	8. Operational excellence and solutions leadership in information technology				<ul style="list-style-type: none"> ↑ We have provided high levels of operational performance of approximately 200 critical applications supporting the operational business lines, including during the period following September 11. IT support for modern comptrollership, financial management, and HR are discussed above in AR 3, 4 and 7. 	205
					<ul style="list-style-type: none"> ↑ We provided solutions leadership through new business applications for the Tax Services and Customs business lines, for example the Tax on Income and Intelligence Management Systems. 	205

Contributions of Others

The achievement of our expected outcome is not solely attributable to the CCRA. Ongoing support from the Government is essential to the successful implementation of our change agenda.

We have partnered with common service providers such as Public Works and Government Services Canada for the management of our pay system, accommodations, and contracts.

Corporate Management and Direction further benefits from independent reviews conducted by outside organizations, including the Office of the Auditor General of Canada, Treasury Board (Resource and Management Review), Privacy Commissioner, Information Commissioner, and Office of the Commissioner of Official Languages.

The CCRA aims to be an effective, knowledge-based organization. Our participation in other national and international organizations is to the mutual benefit of the CCRA and those organizations. For example, in 2001-2002, we co-ordinated 57 international technical assistance projects and hosted a major international e-commerce conference on behalf of five international organizations: the Organization for Economic Cooperation and Development (OECD), Inter-American Centre of Tax Administrators (CIAT), Canadian Advanced Technology Alliance (CATA), Intra-European Organization of Tax Administrations (IOTA), and le Centre de rencontres et d'études des dirigeants des administrations fiscales (CRÉDAF).

The CCRA is uniquely served and supported by its Legal Services personnel. They provide corporate legal counsel and advisory services. Under a long-standing arrangement with the federal Department of Justice, Legal Services are managed by the CCRA Chief Counsel, who acts as the Commissioner's delegate for the legal aspects of CCRA operations and policies on behalf of the Deputy Attorney General of Canada.

Corporate Management and Direction

Logic Model

We have prepared a Corporate Management and Direction logic model (see page 210), which offers a roadmap showing the links between our inputs, activities, and outputs that are essential to achieving our eight anticipated results in support of our one expected outcome. It also shows how these fit into the Agency's overall strategic outcomes. This logic model is the foundation of the CCRA overall performance report card which summarizes our performance against each anticipated result.

Discussing Our *Performance* by Anticipated Result

We assess our performance for the Corporate Management and Direction business line against our eight anticipated results as they relate to our expected outcome: ***Performance of our business services and operations is maximized through modern and innovative management approaches.***

Ratings are provided for each anticipated result. They show whether our performance met (green), mostly met (yellow), or did not meet (red) the results. We provide a separate rating on the quality of the information upon which we based the assessment. As with other business lines, we assess our performance against two themes: managing the compliance continuum and innovation for the future.

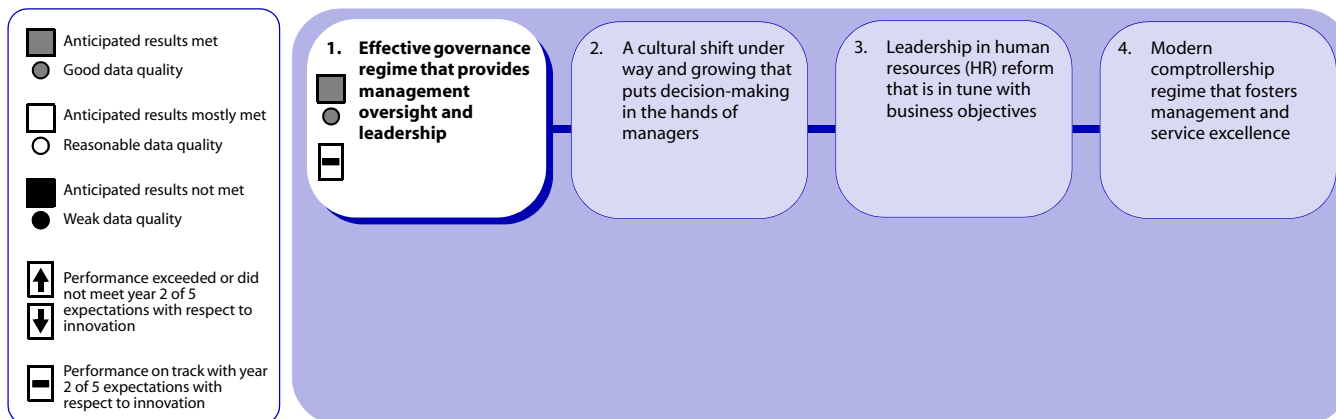


Corporate Management and Direction

Innovating for the Future (Year 2 of 5)

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

Anticipated Result 1



Conclusion

Overall, we are on track for the implementation of a mature and fully integrated governance regime. In 2001-2002, we continued to enhance links between the Board of Management (BoM) and Agency Management Committee (AMC); we refined the direction of the Balanced Scorecard (BSC) and exploited lessons of the first Annual Report. Our internal audit and program evaluation function now reports directly to the Commissioner to better serve the CCRA's need for independent advice and impartiality.

Success Criteria

Appropriate links between and integration of all elements of the governance regime, resulting in effective oversight

Effective decision-making supported by appropriate information

Highlights

Since becoming an agency, we have been building a sound governance regime to support modern and innovative management, while respecting Parliament's expectations for transparency and accountability (see Exhibit 94). The CCRA's Governance Model has three main components: the Minister, with overall accountability to Parliament; the Board of Management (BoM), responsible for oversight management; and the Agency Management Committee, which looks after Agency management and direction.

Two pillars support our governance regime:

- effective decision-making and control through our senior committees—the Board of Management (BoM) and the Agency Management Committee (AMC); and
- appropriate accountability through our Corporate Business Plan, the Annual Report, and the Balanced Scorecard (BSC), backed by enhanced internal audit and accountability contracts with all managers.

Corporate Management and Direction

Our new governance model provides for an oversight that is more disciplined and more demanding. This is due in large part to the BoM, which brings Canadians' interests and business-like approaches directly into the CCRA's management processes, and challenges us on our progress against our commitments. While the governance model is sound, it requires further maturing and integration. Similarly, we must better integrate the financial and non-financial components of our business into our oversight and governance practices. At present, our systems are not able to easily provide all the information needed to respond to the requirements of the new BoM and the AMC. The Balanced Scorecard will address this need, and although we did not progress as expected last year, we are now on track for 2002-2003.

These changes in our governance framework are also guiding other important initiatives, for example: the transformation of our financial operations; tighter links between project proposals and their fiscal implications; the move toward activity-based costing; and an innovation investment strategy and quarterly budgeting.

Our key accountability instruments are the Corporate Business Plan which lays out the plan to achieve our objectives, and the Annual Report, which reports in plain terms on the results we have achieved. The inaugural Annual Report, tabled in November 2001, received a generally positive overall assessment from the Auditor General, who noted that it represented an "impressive start." We also enhanced our internal audit function in terms of risk control, assurance, and corrective actions.

CCRA's Governance Model

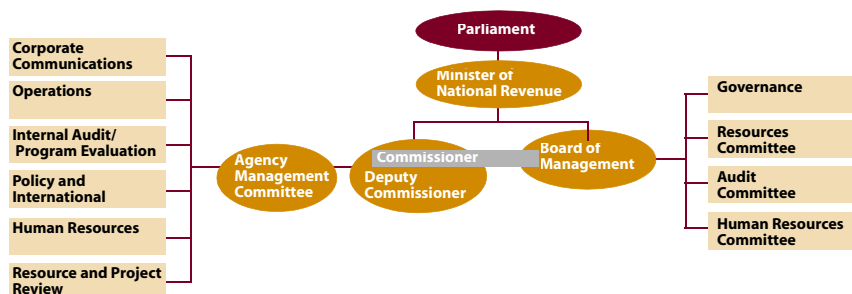
In 2001-2002, the second year of agency status, the CCRA continued to significantly benefit from our unique governance regime. The BoM brought executive oversight and leadership to bear on the policies and management frameworks needed to exploit the advantage of the CCRA's unique structure and authorities.

In 2001-2002, new streamlined and agency-tailored policy instruments relating to human resources, information technology, and finance and administration were approved, as well as key corporate documents such as the CCRA's *2002-2003 to 2004-2005 Corporate Business Plan* and the *2001-2002 Annual Report to Parliament*.

The review of the Agency's Management Policy Framework, planned for 2002-2003, will further strengthen governance by: confirming that management policies correspond to independent agency status; identifying and correcting weaknesses in current policy development, approval, implementation, and review processes; and ensuring that due diligence is exercised in policy promulgation in the Agency.

To improve management oversight in 2001-2002, we began briefing the Board of Management and the Minister on potentially troublesome issues identified by the Office of the Auditor General (OAG). To support its oversight role, the BoM is also briefed on findings of the CCRA's internal audit and program evaluation teams.

Exhibit 94: CCRA Governance Model





Corporate Management and Direction

Canada's Public Policy Forum (PPF) has been involved in advising Government on the development and implementation of the alternative service delivery concept. In 2001-2002 the PPF initiated a study to describe the CCRA's progress in working within its legislated governance structures and authorities. Preliminary findings from the study include the following:

- The high-level governance structures are a faithful rendering of the provisions in the *CCRA Act*.
- The CCRA is not using its flexibilities to the maximum.
- There are observable changes in senior management culture. In particular AMC members and their direct reports are taking greater ownership and responding faster to management policy issues.
- The *Corporate Business Plan* and *Annual Report* hold considerable potential as core management documents.

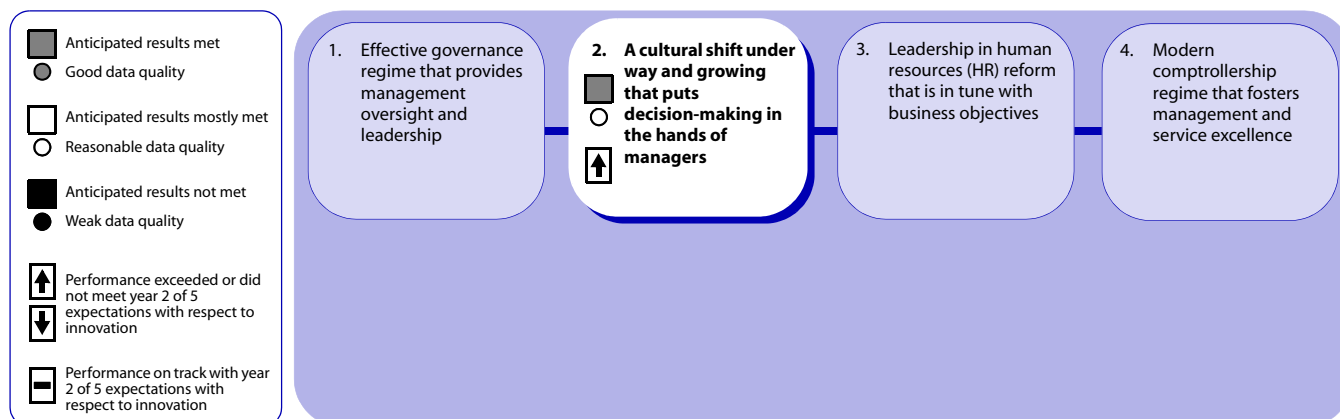


Corporate Management and Direction

Innovating for the Future (Year 2 of 5)

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

Anticipated Result 2



Conclusion

On balance, we believe that we met or exceeded our expectations at this stage in our five-year agenda, particularly because of the successful establishment of the Management Group (MG) group backed by accountability contracts in support of results-based management.

Success Criteria

Annual performance agreements and reviews are completed for all staff.
More delegated authorities and related accountability mechanisms.
Effective training and communications, promoting agency values and expected competencies.

Highlights

Since becoming an agency, we have been working toward shifting our corporate culture to one that increasingly relies on values instead of rules, and on empowerment through greater delegation of authorities and accountability.

In 2001-2002 we made major strides toward this objective, including:

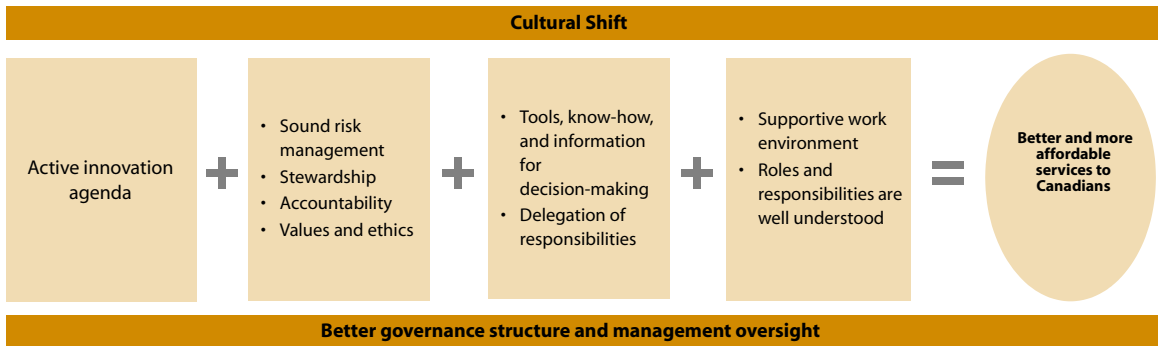
- the creation of a Management Group (MG) of some 3,200 front-line managers who will power the cultural change. Decision-making authority has been put more squarely in the hands of managers who know their clients and business processes best, equipping them to more effectively deliver the CCRA's mission and promote an environment of trust, dialogue, and responsiveness;
- greater delegation of authorities in the areas of human resources, real property, financial management, and administrative policies; and
- results-based management through clearer goals and accountabilities, which are communicated in the *Corporate Business Plan* and the *Annual Report*, respectively. These are embedded in performance agreements for almost 600 executive and for over 3,000 MG members. These agreements form the basis for assessing and rewarding good job performance and effective people management.



Corporate Management and Direction

While we believe that the cultural shift is well under way at the overall corporate level, we have not yet been able to thoroughly entrench this shift at all levels of the organization. This remains a key challenge. Overall at the corporate level, staff training has not kept pace with the scope and momentum of this cultural change and is a high priority for 2002-2003 and beyond.

Exhibit 95: Cultural Shift at the CCRA



We continued to build the necessary capacities to achieve and sustain the CCRA's cultural shift.

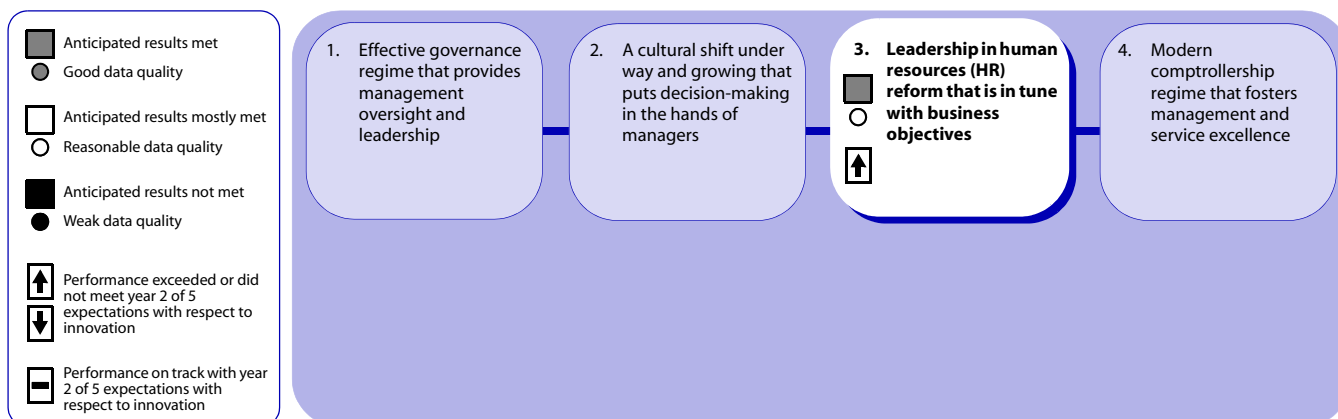


Corporate Management and Direction

Innovating for the Future (Year 2 of 5)

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

Anticipated Result 3



Conclusion

During the first two years of our five-year renewal plan, we met all key project deliverables, and we expect to complete the plan on time. In 2001-2002, we continued to implement our agency flexibilities in classification, staffing, labour relations, and dispute management. We believe the increased dialogue and trust the Alternative Dispute Resolution System has fostered between employees and management contributed to a decrease in the number of harassment cases. This year, however, grievances have increased significantly from last year, and we are analyzing the statistics to ascertain their source. Overall, due largely to our breakthroughs, we feel that this year's performance exceeded last year's, but the overall job is far from done.

Success criteria

Meeting the year-to-year deliverables identified in the Summary of the Corporate Business Plan; HR core operations keep pace with business requirements.

Highlights

With more than 50,000 workers at peak times, human resources are a critical determinant of CCRA performance. Our employees deliver our business results in a highly complex and dynamic work environment, and they should expect a Human Resources (HR) system that is responsive, flexible, integrated with other corporate services, and strategic.

When we became an agency, it was evident that our HR system, designed for a public-service environment, had many significant shortcomings. For example, the classification system was too complex, with 35 different standards that created inefficiencies and delays; the staffing system took on average five months for external recruitment; the recourse process was lengthy and adversarial; the performance management process often ignored poor performance and failed to reward excellence; and managers were not sufficiently empowered to take responsibility for managing people. As a separate employer we now have responsibilities for staffing, classification, and labour relations, with the flexibility and discretion to customize our processes to fit our business needs. These new responsibilities underpin our HR change agenda.



Corporate Management and Direction

In becoming an agency, we launched a comprehensive, five-year, Human Resources Reform and Renewal plan with 14 major initiatives that address the key aspects of effective people management. During year one, we addressed the elements required by our new separate employer status, in particular, putting in place staffing, classification, and dispute resolution systems. This year, we have further developed these systems. We also achieved breakthroughs in key areas, which have already attracted interest from outside the Agency as potential HR innovations. They include:

- The creation of a new Management Group (MG) of some 3,200 managers previously managed through 20 different classification standards, simplifying our management process and enhancing our links to front-line employees. This is a Public Service first. The MG is supported by negotiated pay plans that include unique performance rewards for effective people management.
- Connecting the commitments in the Corporate Business Plan from executive cadre performance agreements to employee performance expectations allowing us to better recognize achievement and address cases of under performance.
- Employees developing 25,000 individual learning plans, as part of the foundation for a continuous learning organization.

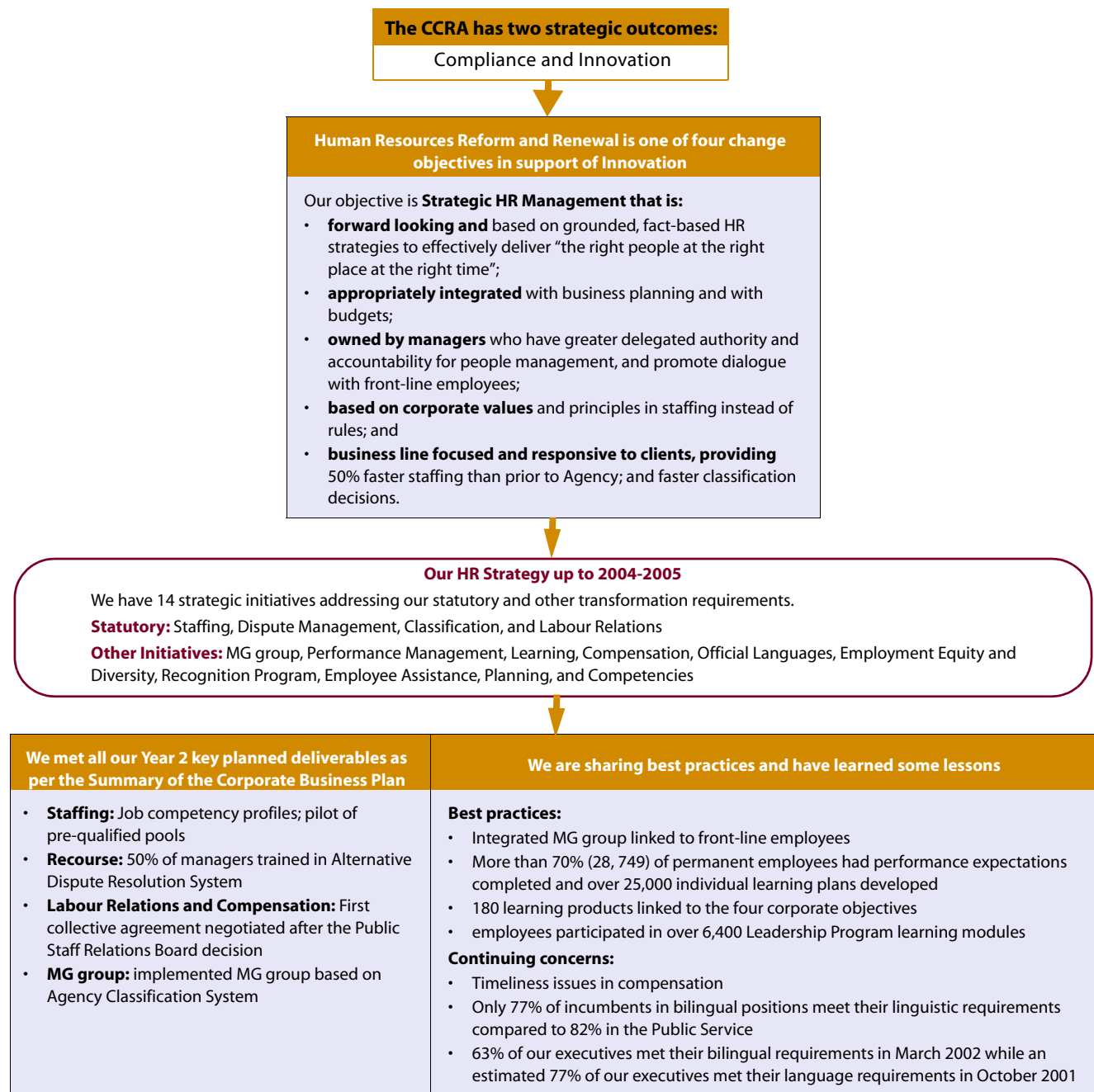
We have also focused on other enablers that are critical to achieving continuous performance improvements across the Agency. For example, during the last year we:

- concluded settlements with our two unions without labour disruptions;
- piloted pre-qualified pools of candidates in high-demand areas such as customs inspectors, revenue collectors, and tax and GST auditors;
- hired some 4,500 new permanent employees, 44% from outside the CCRA and the remainder from our temporary workforce; and
- achieved a national representation rate for the four designated employment equity groups at or above the most recent labour market availability rate. For example, we succeeded in increasing our representation of visible minorities from 8.4% to 8.7%.

There are, however, a number of areas where improvement is needed. The development of the Agency Classification System for groups within the organization other than the MG was deferred, and now needs to be addressed to advance the Agency's classification efforts. Our bilingual capacity in the workplace lags behind the average in the federal public service—expectations for official languages are now embedded in executive accountability contracts. We also need to address the significant delays many employees face in receiving acting and overtime payments, among others. Finally, after two years of implementation, the Corporate Administrative System (CAS), which is meant to provide the CCRA with meaningful, accurate, relevant employee data and performance information, is still not performing to the degree required. We therefore need to enhance our measurement capacity and also develop further measures to better report on our HR performance.

Corporate Management and Direction

Exhibit 96: Human Resources Reform and Renewal Initiative



The Human Resources reform and renewal initiative

In 2000-2001, the CCRA launched an HR Reform and Renewal Initiative and completed the initiatives necessary to meet new statutory requirements (i.e., staffing, dispute management, classification, and labour relations). Last year the focus was on implementing other key elements of the Framework. Following is a discussion of some key achievements.



Corporate Management and Direction

Enhancing Our Management and Leadership Capacity

The senior management (SM) level, comprising 233 jobs within the Executive category, was created in 2000-2001 to strengthen and unify the management team. During 2001-2002, the Management Group (MG) was created, consisting of some 3,200 managers, to acknowledge the importance of the managers' role in front-line operations. The Agency Classification System (ACS) was adapted to support the new MG, with 8 key job requirements re-weighted to incorporate elements of the previous 20 classification standards. To enhance the development of management skills in the MG, we implemented a Leadership Program, a computer-based Learning Interface, and a performance reward compensation component.

Nearly half of the members of the SM and Executive (EX) groups become eligible for retirement within the next five years. To prepare for this, we initiated the development of an EX/SM succession planning model to develop the managers and executives needed to address impending shortages with the skills and expertise we require.

Together, the SM and MG provide us with the solid management and leadership cadre we need for the success of our HR reform and renewal initiative. Our managers are the main link between human resources and business management, and their HR efforts to support, motivate, and develop employees in order to meet the CCRA's business objectives make them key change agents.

Performance Management Regime

We have now fully developed and begun implementing a results-based performance management regime for all employees. This links the expected achievements in our Corporate Business Plan to the performance agreements of our management cadre (EX, SM and MG) who, in turn, are required to establish performance expectations for their own employees.

All executives and senior managers have results-based performance agreements with provisions to reward performance for program and people management. Newly negotiated MG pay rates also include performance rewards (pay or leave) for sound people management.

Across the Agency, more than 30,000 employee performance expectations were completed in 2001-2002 and 25,000 individual learning plans were prepared (see Exhibit 96). Nearly 95% of our MGs fulfilled this important component of their people management responsibilities.

Staffing

Standardized assessment tools have been developed to evaluate all organizational, behavioural, and some technical competencies. This has enabled us to set up pre-qualification pools (PQP) on a pilot basis for high demand groups such as custom inspectors, revenue collectors, and Tax and GST auditors. We also continued to develop the necessary IT infrastructure to support the implementation of the assessment results. The competency-based approach will enable managers to match employee and job competency profiles using a "just-in-time" staffing approach, and to identify skills gaps to be addressed on an Agency-wide basis.

Last year, we reported a 30% reduction in the time required to staff positions through internal competitions. Further progress is expected when our PQP system is fully implemented by 2004-2005. In the meantime we are taking advantage of streamlined staffing procedures to fill positions with minimal delays. For example, an internal and external process involving 105 candidates for 12 positions, was completed in 65 calendar days, considerably faster than in our Revenue Canada days under the *Public Service Employment Act*.

Corporate Management and Direction

As for staffing recourse, during 2001-2002 we provided 6,290 individuals with feedback (compared to 4,470 in 2000-2001) and 523 with decision reviews (compared to 260 in 2000-2001), and 35 cases were submitted for independent third party review (up from 27 last year), with 20 cases being resolved.

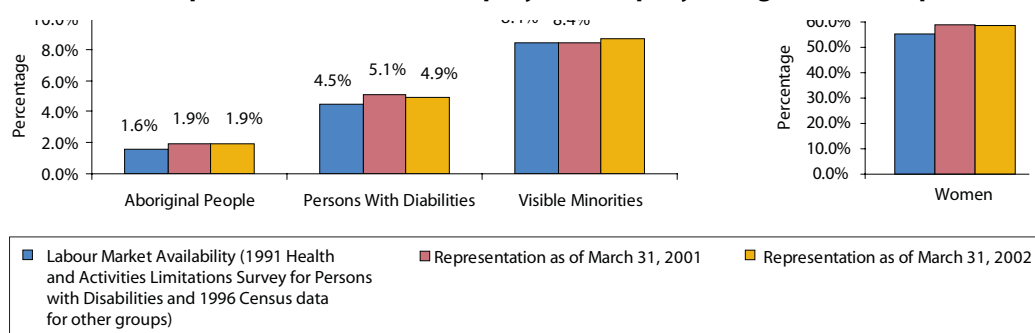
A survey conducted this year showed that CCRA managers are taking the broad principles of the new staffing system to heart. Of those who responded:

- 82% agreed that the staffing process was guided by the fairness principle;
- 80% thought that the process is guided by the competency and effectiveness principle;
- 75% felt the process was guided by the efficiency principle; and
- 69% agreed the process was guided by the adaptability and fairness principle.

In addition to a new student program, an applicant management tracking system was introduced in 2001-2002 and will be further developed in 2002-2003.

Employment Equity and Diversity

Exhibit 97: Representation of the Employment Equity Designated Groups Within the CCRA



The Agency approved a new employment equity (EE) policy and specified Employment Equity and Diversity as a required competency for all positions. In 2001-2002 we continue to meet all employment equity expectations at the national level for all designated groups (women, Aboriginal peoples, visible minorities, and persons with disabilities) (see Exhibit 97). However, to accelerate progress, particularly in light of changing labour market demographics, we developed and began to implement a three-year strategic plan which sets out representation goals, based on labour market availability, for each of the four employment equity groups. At the same time, regional under-representation in certain occupational group levels will require our continued attention. These achievements reflect the CCRA's unequivocal commitment to the principles and objectives of employment equity and workforce diversity. Over the review period, representation of the visible minority group grew from 8.4% to 8.7% of our workforce. However, for persons with disabilities there was a decrease in representation, although the rate remains above labour market availability.

HR Planning

Regional HR plans now extend to staffing, official languages, and employment equity requirements and strategies. Efforts continue to strengthen the links between HR and business planning to prepare for the major business transformation initiatives and the expected increase in "baby boomer retirements" over the next 5 to 10 years.

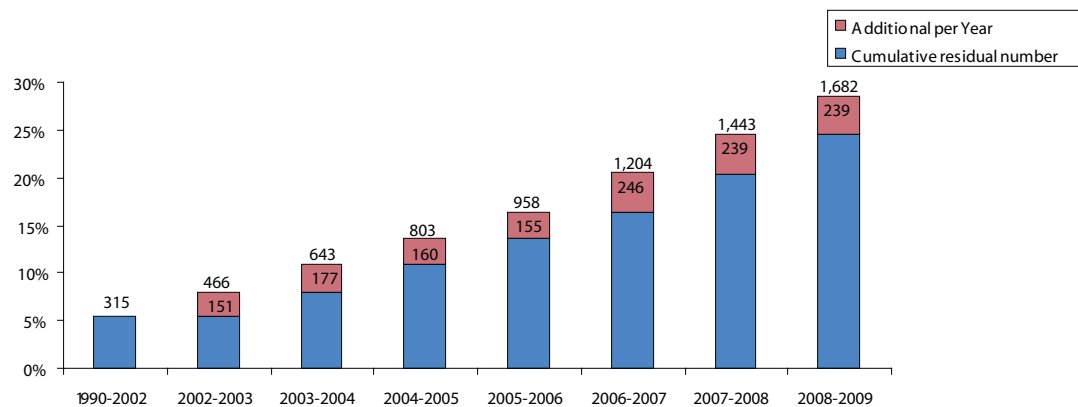


Corporate Management and Direction

The following data reflect key developments in our workforce during 2001-2002:

- Permanent staff grew from 37,400 to 40,000 people.
- Temporary staff varied from 6,800 to 12,700 in response to workload fluctuations.
- We recruited more than 4,500 new permanent employees, 56% of whom were former term employees, while 44% were recruited from outside the CCRA's (compared to 34% in 2000-2001).
- In our vital Auditing employee group, we turned a net loss of 1.2% in 2000-2001 into a net gain of 4.4%.
- Our complement of program management permanent employees including custom officers, tax assessors and junior auditors grew by 3,500, or 10.5%.

Exhibit 98: Auditors Eligible for Retirement (Cumulative)



Key HR priorities in 2002-2003 will include developing human resources strategies to effectively manage demographic pressures, notably the anticipated wave of “baby-boomers” retirements. For example, as Exhibit 98 indicates, almost 30% of auditors will be eligible for retirement by 2008-2009. The 2002 Employee Survey will be particularly useful in this regard as it includes questions on employees' retirement plans.

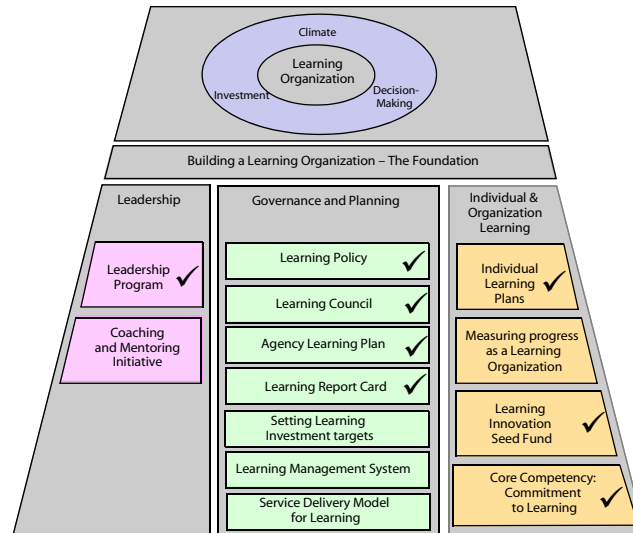
Learning

During 2001-2002, the BoM approved both the Agency Learning Policy and Educational Assistance Guidelines. The First Agency Learning Plan was developed and aligned with the Corporate Business Plan objectives. Together, these are laying the foundations for a learning organization (see Exhibit 99)

We invested the equivalent of 6.6% of our payroll on learning (surpassing the stated goal of 6%) and piloted a Learning Innovation Seed Fund of \$500,000 per year to support 12 learning initiatives across the country. As well, we enhanced the funding for tuition reimbursement from \$2.1 million in 2000-2001 to \$4 million in 2001-2002.

Corporate Management and Direction

Exhibit 99: Elements of a Learning Organization



Eight of the Learning Organizations elements have been implemented (denoted by check marks), and all the other elements are in progress.

Labour relations

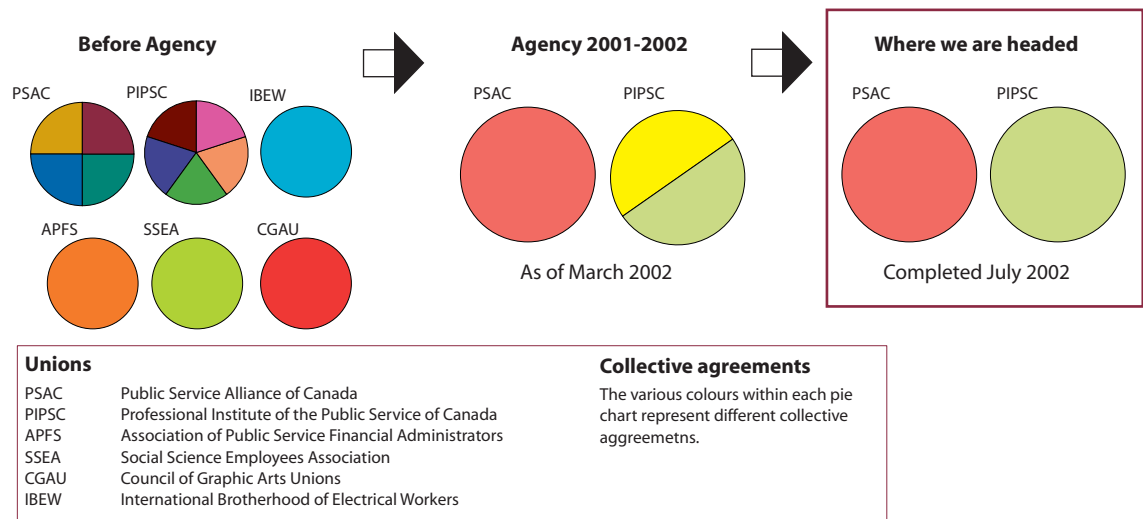
In December 2001, the Public Service Staff Relations Board (PSSRB) rendered a decision that greatly simplified our collective bargaining process. Where the Agency once had 6 unions and 13 bargaining units, we now have 2 unions and 3 bargaining units (See Exhibit 100). The agreements currently in force were all negotiated without work stoppage. The agreement with the Public Service Alliance of Canada (PSAC) was concluded in March 2002, and the agreement with the Professional Institute of the Public Service of Canada (PIPSC) was concluded in July 2002.

Unfortunately the PSSRB did not draw a line between management and non-management personnel where the Agency would have liked. This complicated the creation of the Management Group (MG) and obliged us to negotiate MG pay rates with both PSAC and PIPSC, in addition to administering a third pay rate for excluded MG employees.



Corporate Management and Direction

Exhibit 100: Labour Relations



Alternate Dispute Resolution System (ADRS)

We have also developed and begun implementing our interest-based Alternate Dispute Resolution System (ADRS). It is based on a revised and enhanced CCRA Dispute Resolution Policy and clearer Mediation Guidelines. To date, we have trained over 2,000 managers and 28,000 employees in the alternative dispute resolution process, initiated a national network of alternative dispute resolution advisors, and implemented a ADRS monitoring plan. The ADRS focuses on prevention and early resolution of conflicts, and allows managers to take corrective measures quickly. We believe that the new multi-faceted system has increased employees and management dialogue and trust, contributing to a decrease in formal harassment complaints from a four-year average of about 90 complaints a year to 46 complaints this past year. Our focus for 2002-2003 will be on continuing our training program and implementing a reliable measurement system that will allow us to clearly evaluate our progress.

We hope that the ADRS initiative will also have a positive impact on grievances, which have increased by approximately 25% in 2001-2002 to 5,201, and reduce the cost of dispute resolution while protecting our employees' rights to be treated in a fair, reasonable, and respectful manner.

Compensation

Workloads for our compensation staff continue to grow due in part to high turnover rates. Their efforts are also hampered by outdated paper-based processes. A planned on-line compensation system will allow managers to make many pay-related transactions simply and quickly. Meanwhile, in June 2002, we launched a Web-based training program coupled with electronic tools to assist our compensation staff. Priorities for 2002-2003 are to improve cycle times for processing acting and overtime pay.

Corporate Management and Direction

Official Languages (OL)

In 2001-2002 the CCRA undertook a comprehensive examination of the OL program and found that only 77% of incumbents of bilingual positions providing internal services met language requirements, compared to 82% in the Public Service. To address this situation, we developed an action plan for language of work which includes specific regional and branch action plans for the management cadre to meet their bilingual requirements. In addition, two Assistant Commissioners have been designated as OL “champions,” and specific bilingualism accountabilities have been established for key executives.

Recognition

In 2001-2002, more than 4,000 certificates and gifts were presented to employees in recognition of their service to the CCRA. In addition, the CCRA Award of Excellence was presented to 392 individuals and teams to recognize outstanding performance.

Employee Assistance Program (EAP)

After extensive consultations with unions, managers, and EAP personnel, the Employee Assistance Program policy was confirmed by the Board of Management in June 2002. It reflects a continuing commitment to high quality employee services and establishes mechanisms to manage, assess, and monitor program performance. In addition, the network of EAP Coordinator-counsellors has been expanded, to meet growing employee needs.

Areas of Improvement

The following areas have been identified for priority attention in 2002-2003:

- developing the Agency Classification System for groups other than the MG, which was deferred in 2001-2002 and now needs to be addressed to advance the Agency’s classification efforts;
- improving processing speed for acting pay, overtime payment and promotion adjustments;
- improving the reliability and integrity of HR information in the Corporate Administrative System (CAS);
- improving the capacity to provide internal services to employees in their language of choice;
- developing the necessary performance and measurement information to implement both the People Dimension of the CCRA Balanced Scorecard and the Human Resources Branch Balanced Scorecard; and
- developing HR strategies to effectively manage the demographic pressures of the anticipated wave of “baby boomer” retirements.

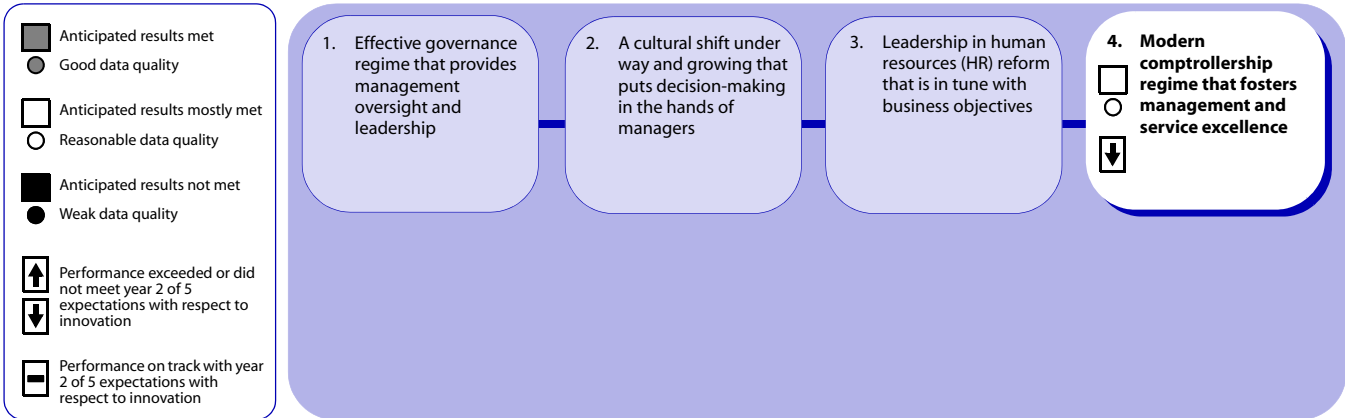


Corporate Management and Direction

Innovating for the Future (Year 2 of 5)

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

Anticipated Result 4



Conclusion

We progressed on all elements of the transparent management for results regime, and the emphasis shifted to integrating all elements. However, our delay in implementing the Balanced Scorecard and our insufficient investment in modernizing our financial systems and practices represents a significant performance shortfall.

Success Criteria

All staff have a clear understanding of the performance of our programs and the means by which performance can be improved. There is a shared set of values and ethics guiding our management approach and daily decision-making. Financial and non-financial performance information is integrated.

Highlights

The CCRA has advanced in establishing transparent and results-based planning, control, and accountability mechanisms that underpin modern comptrollership. Management believes that the necessary elements (strategic leadership, motivated people, shared values and ethics, integrated performance information, mature risk management, rigorous stewardship, and improved accountability) exist at the corporate level. However, some of these elements are more developed than others, and they are not sufficiently integrated to provide the holistic approach to management decision-making that modern comptrollership demands.

In 2001-2002, we made advances in planning and accountability reporting by issuing an improved Corporate Business Plan with an emphasis on results, and our first Annual Report, which set a standard for the CCRA in balanced performance reporting. However, as our experience with the T3 accounting error showed us, we had not invested enough in past years to modernize some of our financial systems and practices. Our performance also fell short in our phased-in implementation of the CCRA's Balanced Scorecard. This will delay the availability of consistent, high-quality information to facilitate results-based management.

Corporate Management and Direction

A Deputy Assistant Commissioner/Agency Comptroller was appointed and the Modern Comptrollership Office established to strengthen our capacity for modern comptrollership. We will continue our efforts towards activity-based costing, quarterly budgeting and reporting, and enhanced links between the Corporate Business Plan, the Balanced Scorecard, and the Annual Report. Planning is also in progress to advance the Financial Information Strategy, in particular the move to accrual accounting for tax revenues, and the establishment of the revenue ledger. Next steps include the establishment of internal service standards for key activities within the Corporate Management and Direction business line to better report on our performance.

Modern Comptrollership

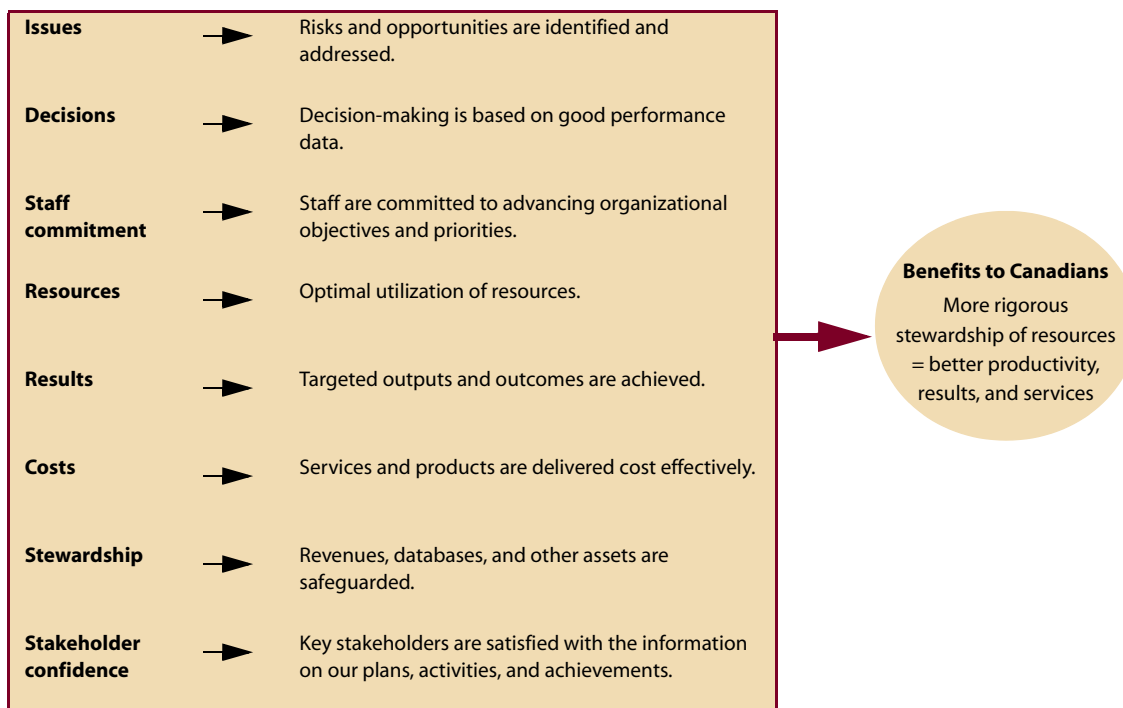
Modern comptrollership in the CCRA supports our change objective of transparent management for results. In pursuing this goal, we aim to foster a management culture with a strong focus on performance and accountability. We want to ensure that managers and staff understand how well our programs are performing and appreciate how they can be improved. This shift is part and parcel of our business transformation agenda, and will lead to a more client-focused approach to service.

The CCRA's first *Annual Report*, tabled on November 8, 2001, was a milestone in results-based accountability, highlighting both our notable successes and areas for improvement.

The following CCRA comptrollership business model was developed to guide our future actions in this area. The model identifies eight key components for successful implementation.

A Vision for Modern Comptrollership in the CCRA

Exhibit 101: Transparent Management for Results





Corporate Management and Direction

The Corporate Business Plan

The Corporate Business Plan, developed in 2001-2002, addresses both ongoing core operations and our strategic change agenda. It emphasizes results and more precisely defined deliverables with performance criteria and targets. In developing the Agency's second Corporate Business Plan, process improvements were realized including earlier involvement of the CCRA's Strategic Advisory Group, full engagement of the Board of Management, and increased horizontal discussion and analysis across business lines.

The evolving EX/SM performance agreement regime, which now applies to about 600 executives and senior managers, is increasingly seen as the key vehicle for translating the Corporate Business Plan priorities and strategies into concrete action. Last year, increased attention was given to monitoring performance against deliverables specified in the Corporate Business Plan. This year, EX/SM performance agreements will emphasise results, targets, and more precise deliverables.

An analysis of external risk factors facing the CCRA was undertaken last year and the results have been included in the Corporate Business Plan. However, the T3 incident flagged the need to better address internal risks as part of our business planning and priority setting.

Balanced Scorecard

To strengthen our move towards results-based accountability and better support senior management decision-making, we aligned and integrated our Balanced Scorecard (BSC) with the framework for the Annual Report and the Corporate Business Plan. The BSC is an integral component of modern comptrollership at the CCRA. With its new focus, the BSC will strengthen linkages between plans, accountability instruments, and performance reports across all business lines.

Over the past year, some 2,500 managers attended BSC awareness/knowledge building sessions. Workshops also enabled more than 200 managers to develop scorecards in five branches and 30 program areas. We expect to have a partial corporate Scorecard early in 2002-2003.

Service Standards

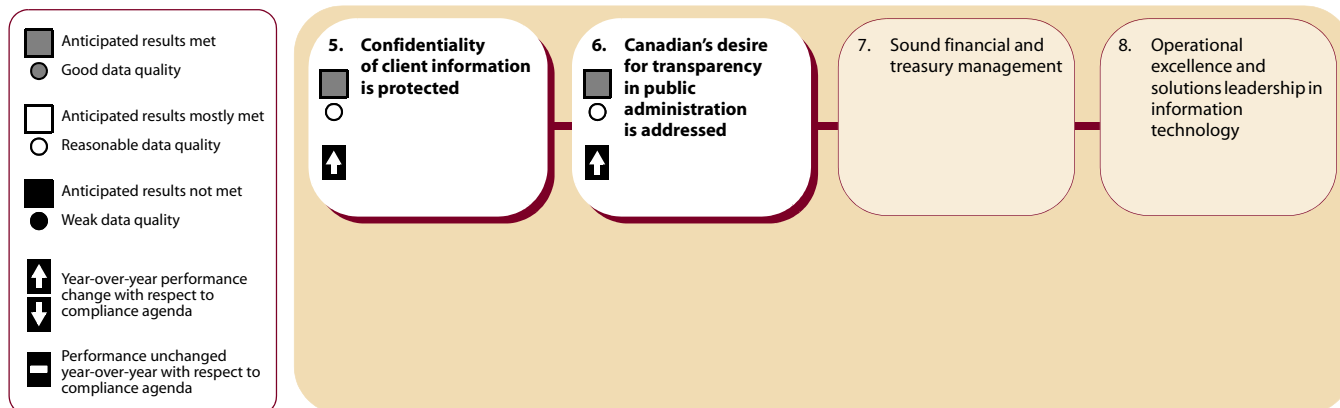
The CCRA continues to move ahead with its service standards initiative. Service standards continue to support our drive toward results-based accountability and better service. Last year, the CCRA reported on some 34 standards mostly related to our operational business lines, and this year we introduced two new standards. We realize that there is considerable progress yet to be made for service standards related to CMD activities.

Corporate Management and Direction

Managing the Compliance Continuum

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

Anticipated Results 5 and 6



Conclusion

During 2001-2002, the Information Commissioner recognized our improvement in responding to access to information requests by granting the CCRA a grade B up from the previous year's grade C. The publication of our first Annual Report enhanced our transparency about our performance.

Success Criteria

Adherence to standards for access to information and privacy.

Continued demonstration of transparency in our communications with Canadians, Parliament, and other levels of government.

Highlights

We protect client information and treat it with the confidentiality it requires under legislation. To further safeguard confidentiality, we continued work on the Authentication Management Services project to enhance security for Internet-based information exchanges. Respect for confidentiality is key to maintaining public trust in our operations and our service modernization initiatives. It is also a strict requirement under the *Income Tax Act* (Section 241) *Excise Tax Act* (Section 295), *Customs Tariff* (Sections 107 and 108), and other legislation including the *Access to Information Act* and the *Privacy Act*. In 2001-2002, a survey indicated that 81% of Canadians are confident that the information they provide to the CCRA is treated confidentially. This was up from 77% a year earlier.

With respect to processing privacy requests, we achieved 98.4% compliance level with statutory turnaround times, up from 89.5% in 2000-2001. Similarly, despite a substantial increase in the number of access to information requests over the prior year, we improved our turnaround time for processing them—achieving 93.7% compliance level, significantly up from 84.5% last year. In addition to our strong performance in responding to requests for information, we delivered internal access to information and privacy training to more than 1,500 employees.



Corporate Management and Direction

Our commitment to provide Canadians with more information of better quality was also demonstrated by our transparency about our performance. Our first Annual Report represented a step forward in this regard. We believe the Report presented a balanced and holistic view of our performance by discussing not only our major successes but also our areas for improvement. The Office of the Auditor General of Canada stated that this report “provides a considerably better and more transparent performance story” than our previous departmental performance reports. Our management of the T3 accounting error also showed that the CCRA was open about both its errors and its solutions, and willing to learn from its mistakes.

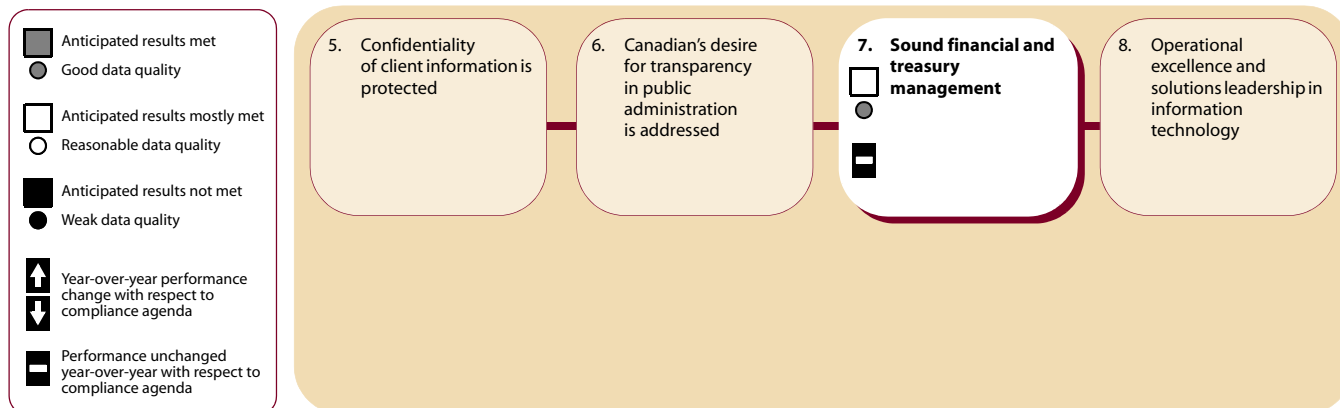


Corporate Management and Direction

Managing the Compliance Continuum

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

Anticipated Result 7



Conclusion

On balance, our performance has remained unchanged compared with last year. Year-over-year improvements in financial and treasury management were offset by our continuing need for more effective cash management monitoring systems for certain categories of receipts and better costing systems overall. The T3 accounting error was a serious setback, but the Agency responded transparently and promptly by undertaking a comprehensive financial management improvement initiative.

Success Criteria

Sound financial, treasury, and facilities management
Meet commitments for sustainable development and administrative reform and renewal
Timely deposit of all cash receipts

Highlights

In most respects, we were successful in our ongoing financial management and exercised prudent fiscal management, staying within budget. However, the CCRA's reputation was seriously damaged by an error in the allocation of capital gains refunds earned by mutual fund trusts. This resulted in overpayments totalling about \$3.4 billion to certain provinces for the 1993 to 1999 tax years. In response, the CCRA studied and launched a comprehensive financial management improvement initiative to address the root cause. As well, we initiated Phase II of the Financial Information Strategy to improve internal and external financial reporting, and are on track for implementing accrual accounting for tax revenues.

Overall, we demonstrated sound cash management of our \$301 billion in annual receipts—and average daily collections of \$1.2 billion. We have reliable data for \$239 billion of these receipts which indicate the prompt deposit of 98% within 24 hours (up from 97% last year), excluding the \$6.4 billion collected during the April peak tax-filing period. Improvements are still needed in our monitoring and financial management systems that cover \$62 billion in customs duties, GST/HST, and excise duties and tax receipts. Similarly, legacy costing systems limit our capacity to precisely measure the cost of our operations and productivity gains within business lines.



Corporate Management and Direction

We made considerable strides toward achieving better long-range strategic resource management through the implementation of a rolling three-year Investment Plan currently set at approximately \$110 million a year, which funds some strategic investments required to achieve the Agency's change agenda. The establishment of an ongoing Asset Management Plan of over \$130 million a year helps ensure the sustained delivery of our customs and tax administration programs within our existing funding levels.

Administrative Reform and Renewal

In April 2001, the Agency Management Committee and the Board of Management approved a three-year action plan for administrative reform and renewal (AR&R). We expect to save about \$50 million between 2002 and 2006, due to AR&R efforts. This year we completed 19 of the 54 AR&R initiatives, including those in the area of real property and facilities management. Our AR&R work in 2001-2002 also included a thorough review of all financial and administrative policies, programs, and systems, and the development of a multi-year work plan to implement reforms.

Financial Information Strategy (FIS Phase)

The FIS Phase II Project was initiated in 2001-2002 to improve accounting, control, and internal and external reporting processes over a two-year period. Achievements to date include system changes which strengthen the accounting and reporting functions for tax revenues. We also developed an automated Revenue Ledger (RL) to capture and summarize data from the CCRA's 34 revenue streams. The RL is also a milestone in our move to accrual accounting for tax revenues.

In 2001-2002, the Auditor General of Canada reviewed our Statements of Operations and reported that they accurately reflected the CCRA's activities.

Resource Management Review

In spring 2001, following its Resource Management Review, Treasury Board approved an additional \$246 million in funding to relieve specific operational workload pressures in the CCRA's revenue collection and audit activities to ensure that the tax base is protected (see Exhibit 102).

Exhibit 102: Resource Review Funding (\$thousands)

	2001-2002	2002-2003	2003-2004	2004-2005	On-going
CCRA	225,266	343,787	400,622	402,671	422,879

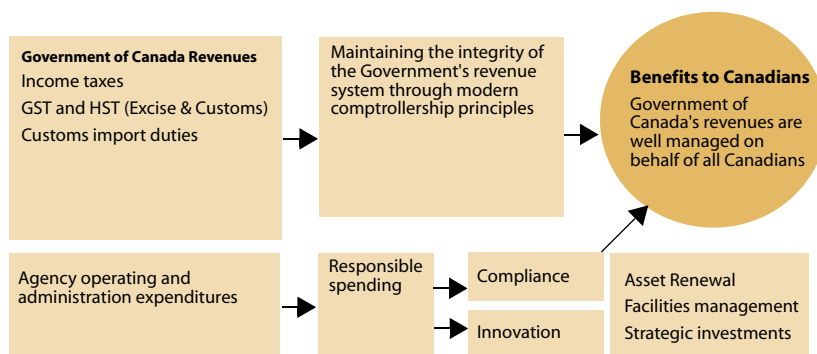
In response to Treasury Board's concerns over the quality of our costing information, we completed a preliminary feasibility study in December 2001 and will launch pilot projects in 2002-2003 to assess the usefulness of activity-based costing in meeting the CCRA's strategic management and information needs.

We are also studying the "drivers" which effect the Agency's workload in order to eventually reach agreement with the Treasury Board Secretariat and the Department of Finance about a more systematic funding formula to accommodate changes.

Corporate Management and Direction

Exhibit 103 depicts the elements of sound financial and treasury management in the CCRA.

Exhibit 103: Sound financial and treasury management in the CCRA



Sustainable Development

We made excellent progress in implementing Year 2 of the CCRA Sustainable Development (SD) Strategy 2001-2004 by achieving 75% of our targets for the period. Major highlights included the finalization of the SD Policy and Environment Policy and launching the SD Toolkit as part of SD learning and to champion best practices.



During the year, we assessed 80 custodial properties for real or potential contamination, 29 of which require follow-up. We also remediated one previously identified contaminated site. The CCRA now has a good picture of its liabilities in the area of contaminated sites and is proceeding with further action.

Overall, we maintained our momentum in the implementation of our SD goals by increasing SD awareness and commitment, strengthening our capacity to deliver results-based reporting, and continuing environmental compliance and stewardship efforts in our operations.

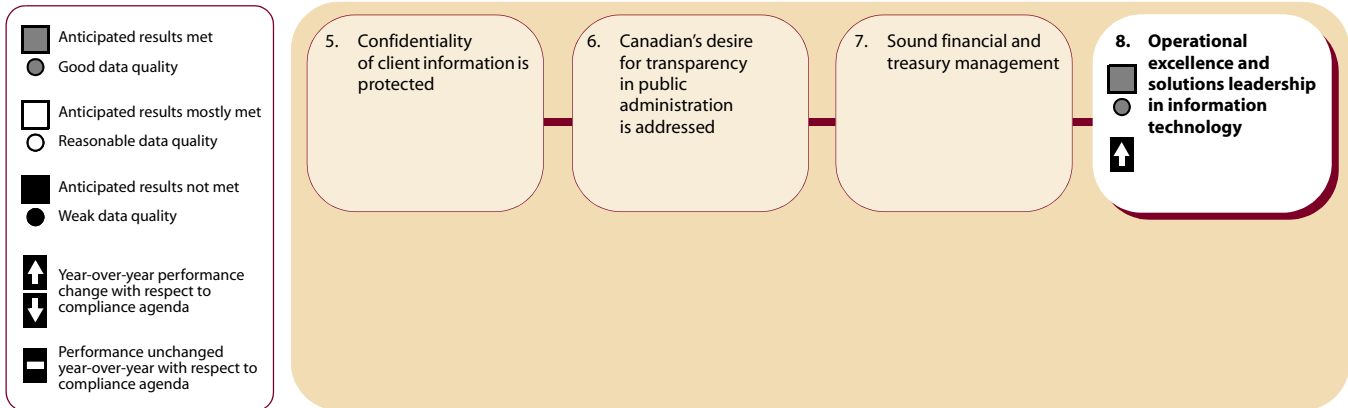


Corporate Management and Direction

Managing the Compliance Continuum

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

Anticipated Result 8



Conclusion

We have met our anticipated result. Our aggressive Information Technology (IT) effort continued during 2001-2002 and we made considerable progress. Our exceptional performance was recognized again this year at the Government Technology Exhibition and Conference (GTEC): four gold awards and one silver award for innovation.

Success Criteria

Operational excellence and solutions leadership in information technology.

Highlights

Information technology (IT) accounts for about 43% of the Corporate Management and Direction budget. In this anticipated result we report only on our performance in support of the other business lines. Our IT performance for financial, comptrollership, and human resources systems are discussed under CMD Anticipated Results 3, 4 and 7.

We have demonstrated operational excellence and solutions leadership in our support of the other four operational business lines. We provided high levels of operational performance for approximately 200 IT applications that are part of the systems critical to the delivery of services to Canadians. Following the extraordinary circumstances of September 11, we ensured that the key systems required to support the operations of Canada's border points remained fully available.

We also delivered complex new business applications to help meet tax and customs client needs and expectations for accessible, fast, error-free, and confidential tax and customs services. For example, we implemented: the Tax on Income (TONI) system, which provides the provinces and territories with greater flexibilities in tailoring their tax rate structures; the Business Number (BN) registration system, available to the general public over the Internet; the change of address on the Web option for individual clients; and the Intelligence Management System which provides automated support to combat contraband activities.

Last year, we implemented the final components of our 2000-2003 IT Strategic Framework, intended to better define and align our IT priorities and resources. However, we must improve IT performance measurement.

Corporate Management and Direction

Business Solutions

We provided high levels of operational performance of approximately 200 IT applications that compose the systems that are critical to the delivery of services to Canadians. Following the extraordinary circumstances of September 11, we ensured that the key systems required to support the operations of Canada's border points remained fully available.

On the tax side, we developed applications and enabled developments such as the Tax on Income (TONI) initiative which will enable greater flexibility in tax rate structures for the provinces and territories. We also delivered the systems for the launch of the GST/HST TELEFILE service. The CCRA has been a key driver of the Government On-Line (GOL) program, with all of our business lines offering information and services via the Internet. In 2001-2002 for example, we made Business Number (BN) registration and T4 filing for employers available over the Internet. We also launched a new, interactive tax information service and an on-line change of address option for individuals.

To further expand our GOL presence, in 2001-2002 ITB awarded a contract for approximately \$32 million for an infrastructure project to improve our capacity to develop e-commerce applications for our business lines.

On the customs side, we provided a range of innovative IT systems which enable improvements in border operations and services. These include:

- The customs Administrative Monetary Penalty System (AMPS) – to administer financial penalties for commercial clients
- The Customs Self-Assessment Program (CSA) – to streamline border transactions for commercial importers
- The Intelligence Management System (IMS) – to combat contraband and support intelligence activities
- The Integrated Primary Inspection Line (IPIL) – to support enquiries by customs officers to improve border compliance and protection

In 2001-2002 we also delivered IT solutions and met all milestones for the Regional Census Processing Project. Under this joint-venture with Statistics Canada, the CCRA processed more than 13 million census questionnaires.

Planning for the future

To improve our capacity to organize, integrate, and manage growing volumes of information, ITB initiated a multi-year Businesses Intelligence/Decision Support (BIDS) initiative in 2001-2002. Upon completion in 2002-2003, the BIDS framework will provide an Agency-wide approach in support of furnishing timely, accurate data for program evaluation and tactical as well as strategic decision-making.

In 2001-2002, ITB also initiated an evaluation of XML standards which will facilitate information sharing among CCRA business lines and enable expanded GOL services.

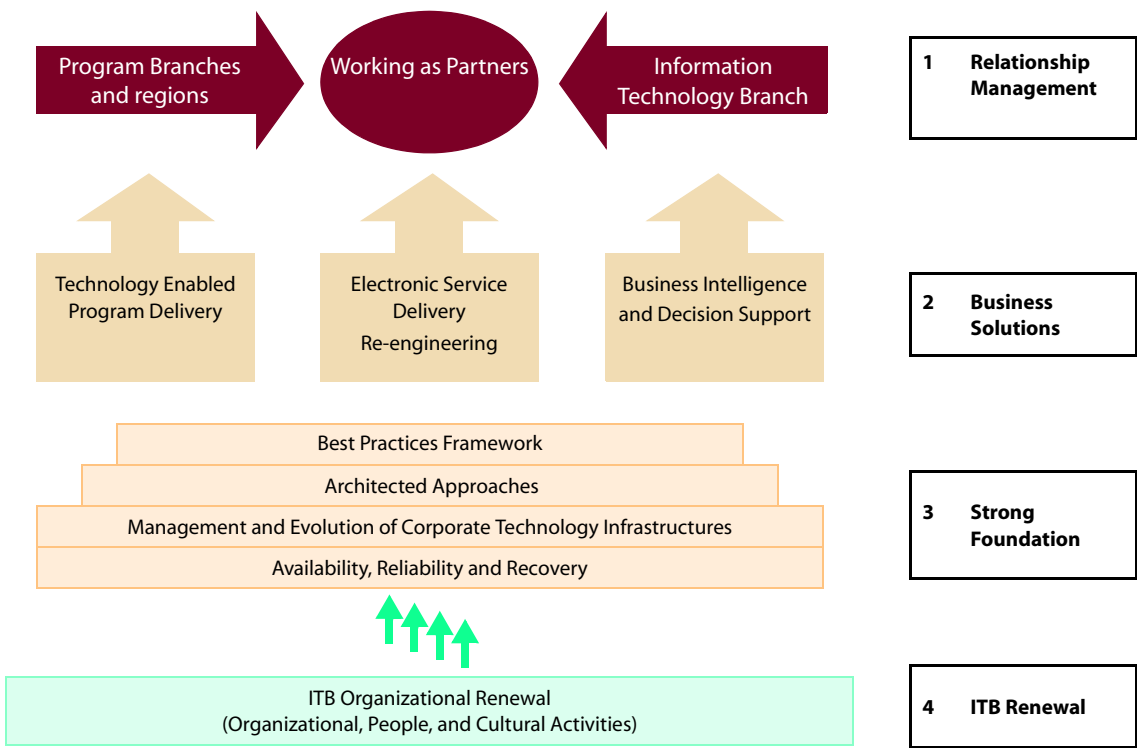


Corporate Management and Direction

IT Branch Renewal

A paramount challenge for CMD is to retain the current generation of IT professionals while recruiting and training the next. This is being addressed through the IT Branch Renewal Initiative, which aims to motivate staff and improve the quality of our workplace. In 2001-2002, we launched a new Employee Orientation Program and developed “wellness guidelines” and other projects to nurture our IT workforce. A study released in 2002 by Carleton University’s Dr. Linda Duxbury demonstrated that we have made significant progress in initiating positive change for our IT community compared to the broader public service.

Exhibit 104: CCRA/IT Strategic



Corporate Management and Direction

The Road Ahead

Progress Against the 2000-2001 Road Ahead

Targeted Areas for Improvement*	Targeted Completion Date*	Status	On-Track during 2001-2002?	Roll Into Road Ahead 2002?
Continued implementation of the new Agency Performance Measurement Framework, supported by the development of better costing systems	2001-2004	<p>Training and workshops on the Balanced Scorecard (BSC) were conducted and its focus was modified, but a good deal of work is still needed to make the BSC a reality. Agency-wide, we did not progress as expected, falling short in our phased-in implementation.</p> <p>A feasibility study on activity-based costing was conducted. The results lay the ground work for more detailed work and implementation starting in 2002-2003.</p>	<p>✗</p> <p>✓</p>	Yes See items 1 and 2 below
Full implementation of the new Human Resources (HR) Regime, with particular focus on learning and development	2004-2005	<p>Significant progress was achieved in 2001-2002. Highlights include the new Management Group, successes in collective bargaining, and a stronger Performance Management Regime.</p> <p>Improvements in learning were also recorded, with continued strong investments in CCRA-wide learning activities and the development of 25,000 individual learning plans.</p>	<p>✓</p> <p>✓</p>	Yes See item 3 below
Improve the reliability of HR data in the Corporate Administration System (CAS)	2002-2003	Although 20 of the 42 CAS Data Integrity Audit Reports have been implemented, other issues have been identified. A good deal of work is needed to achieve reliability of HR data using this system.	✗	No See item 3 below
Continued efforts in administrative reform and renewal	2004-2005	Benefits from the CCRA's administrative reform and renewal are now appearing. These include, for example, savings from streamlining certain programs such as Publishing, and improved administrative policies and processes. Also, action plans are now in place for further reform in 2002-2003 (warehousing, e-procurement, strategic sourcing, etc.).	✓	Yes See item 7 below
Continued efforts to build our Information Technology (IT) capacities	Ongoing	Enhancements to various systems were carried out [e.g., Tax on Net Income (TONI), Standardized Accounting (SA/T2)]. There was ongoing maintenance of existing applications and the initiation of improvement plans (e.g., e-commerce platform, Business Intelligence/Decision Support). The final components of our IT Strategy were implemented ahead of schedule.	✓	No
Developing effective performance information and establishing clear targets and service standards	2002-2003	<p>Although some improvements have been made in establishing clear targets, more work is needed to provide a sound foundation for our results-based performance measurement system.</p> <p>Some improvements were made in the area of service standards, but more work is needed, including work in relation to standards for internal services.</p>	<p>✗</p> <p>✗</p>	Yes See items 1 and 5 below

✓ On track ☒ Mostly on track ✗ Not on track

*Source: Prior-year Annual Report to Parliament (2000-2001)



Corporate Management and Direction

The Road Ahead – 2002 and Beyond

1. Meet deliverables in 2002-2003 for the phased implementation of a high-level Corporate Balanced Scorecard, providing more integration between financial and non-financial elements and more consistent, high-quality information in support of decision making (Anticipated Result 4).
2. Strengthen our capacity for modern comptrollership by focusing on key areas of improvement, including:
 - quarterly budgeting and reporting;
 - increased use of activity-based costing to more closely link resources to activities and to better understand key cost drivers;
 - modernizing our financial and reporting systems;
 - integrated risk management; and
 - completing phase two of Financial Information Strategy (Anticipated Result 4).
3. Continue the full implementation of the Human Resources Reform and Renewal initiatives and strengthen some HR programs including focus on language of work and language training for executives, analyze the source of the increase in grievances, resolve the Corporate Administrative System (CAS) HR data integrity issues (2003-2004), and, especially, improve the timeliness of compensation processes (2002-2003) (Anticipated Result 3).
4. Implement a system that will provide effective information on the timeliness of the deposit of customs, GST/HST, and excise duties and taxes receipts (2004-2005) (Anticipated Result 7).
5. Establish needed internal service standards for key internal services that we provide to managers and employees (2002-2003) (Anticipated Result 4).
6. Maintain our momentum in implementing our sustainable development (SD) goals by increasing SD awareness and commitment, strengthening our capacity to deliver results-based reporting, and continuing environmental compliance and stewardship efforts in our operations (Anticipated Result 7).
7. Continue the full implementation of the initiatives under the Administrative Reform and Renewal initiative (Anticipated Result 7).

Corporate Management and Direction Attachment 1

Attachment 1: Logic Model

This following logic model offers a roadmap showing the links between our inputs, activities and outputs that are essential to achieving our anticipated results in support of our expected outcome. It also shows how these fit into the Agency's overall strategic outcomes. This logic model is the foundation of our performance report card which summarizes our performance against each anticipated result.

Corporate Management and Directions Logic Model						
Mission: Promote compliance with tax, trade, and border legislations, thereby contributing to the economic and social well-being of Canadians						
Inputs	Key Activities	Outputs	Anticipated Results	Success Criteria	Expected Outcome	Strategic Outcome
Knowledgeable & skilled workforce Legislative Framework including public standards	CCRA Governance	Business approach to CCRA management Strengthened governance structure	Effective governance regime that provides management oversight and leadership	Effective oversight Effective decision-making	Modern and innovative approaches are introduced to maximize performance of our business services and operations	Canadians comply with tax, trade, and border legislation. CCRA is a leading edge service organization
	Enhancements to management cadre	Business and change agenda leadership Management Group (MG) Results-based performance agreements	A cultural shift underway and growing that puts decision-making in the hands of managers	Staff performance agreements and reviews Greater delegation and accountability Effective training and communications		
	Implementation of new HR regime	Resourcing System Performance management regime Labour relations framework Dispute resolution system Diverse workforce	Leadership in HR reform that is in tune with business objectives	Meeting Summary CBP deliverables Core HR operations keeping pace with requirements		
	Adoption of modern comptrollership	Modern comptrollership Transparent management for results / Administrative reform and renewal Integrated risk management Rigorous financial and resource management, Integrated results management and reporting	Modern comptrollership regime that fosters management and service excellence	Staff understand program performance improvement methods, Decision-making based on shared set of values and ethics and Integrated performance information		
	Administration of Confidentiality legislation	Protection of client information	Confidentiality of client information is protected	Adherence to access to information and privacy standards Demonstration of transparency		
	Access to information and privacy requests	Timely responses to information requests	Canadians' desire for transparency in public administration is addressed			
	Stewardship of financial resources	Timely implementation of the Financial Information Strategy (FIS) Sustainable development strategy More cash deposits within 24 h standard	Sound financial and treasury management	Sound financial, treasury and facilities management Meeting sustainable development and administrative reform commitments Timely deposit of cash receipts		
	Provision of Information Technology (IT) strategic, operational and systems services	IT systems that support the CCRA's program delivery, enabled by a strong IT infrastructure foundation and governed through an Agency IT strategic framework	Operational excellence and solutions leadership in information technology	Operational excellence and solutions leadership in information technology		



Appendices

Appendix A – Managing the Compliance Continuum

To deliver on our mission of promoting compliance with Canada's tax, trade, and border laws, we employ a mix of service and responsible enforcement strategies, backed by risk management. Our overall approach emphasizes facilitating voluntary compliance. The underlying premise is that most people and businesses are honest and, given the opportunity and the right tools, will voluntarily comply with the law. This assumption is the cornerstone of our customs and tax systems, and our experience over the years supports this position.

We are proud of the high overall level of voluntary compliance that exists in Canada today. About 95% of all the revenues that are remitted to the CCRA are reported and paid without any audit or collection activities. This statistic becomes more meaningful when considered against the backdrop of five key compliance indicators: filing, registration, border, remittance, and reporting.

Canadians demonstrate a high level of compliance. Many Canadians have no legal obligation to file a tax return, for example, because their income is below the filing threshold and they are not subject to any special provisions (e.g., dispositions of capital property) that would otherwise require them to file.

While some of these individuals do file to claim social benefits, such as the Canada Child Tax Benefit and the GST/HST credit, others are not entitled to these benefits or do not wish to participate. The most recent available statistics indicate that 91.9% of all Canadians 18 years of age and over filed a timely individual income tax return during the 2000 tax year, up from our revised figure of 91.6% for tax year 1999. This represents a very high level of filing compliance when one considers that not everyone is required to file. Remittance compliance among Canadians is also high, with over 90% of taxable filers paying their reported income taxes on time during the 2000 tax year. This represents an increase of about one percentage point from our revised figure for the previous tax year.

Filing and remittance compliance was also reasonably high among corporations during the 2000 tax year. Of the estimated 1.42 million incorporated businesses in that year, slightly over a million (71.2%) filed a timely T2 return. Although these figures indicate that a fair number of corporations do not file their T2 returns on time, many of these late filers are not taxable. Among all taxable corporations, we estimate that 91.9% submitted a timely return. Most taxable corporate filers also pay their reported income taxes on time. We estimate that 91.4% made a timely remittance for the 2000 tax year, a figure that is essentially unchanged from our revised figure for the prior year.

We have developed estimates of the degree of GST/HST program registration among Canadian businesses. Specifically, we estimate that 83.2% of all Canadian businesses (including those registered on the CCRA's behalf by the ministère du Revenu du Québec) were registered for GST/HST in 2000-2001. This represents an increase in participation of 5.0% from the previous year. This represents a reasonably high degree of registration compliance when one considers that many businesses are not required to register for GST/HST, for example, because their gross revenues are below the registration threshold. Among all businesses registered with the CCRA for GST/HST, 90.3% filed their returns on time in 2000-2001, up from 89.7% in the prior year. We are not yet able to estimate the degree of remittance compliance for GST/HST, but we note that, each year, about 2.5 million businesses (including Quebec) collect over \$62 billion in GST/HST on taxable sales of goods and services and remit the net amount that is due from these collections to the CCRA.

Appendix A

We have completed the second year of a three-year sampling cycle to measure overall rates of compliance at the border, by mode, using random samples. Different border points are targeted in each year of the cycle, and the results may vary across years for several reasons, including differences between sites and limited coverage. However, when viewed together, the results provide at least some indication of compliance by mode. Our judgement, based on these figures and other information, is that travellers and traders generally comply with border legislation.

We reviewed the books and records of a sample of importers to verify compliance with trade legislation in three priority commodity areas (textiles/apparel, steel, and footwear) in 2000-2001. A preliminary analysis of the results of our review reveals that the rates of error with respect to the classification of commodities and the valuation of commercial transactions may be higher in these areas than we initially anticipated. Further analysis will be performed to assess the reliability and representativeness of these results, and the degree of compliance in other priority trade areas with the objective of identifying and addressing sources of non-compliance with trade legislation.

Non-compliance with reporting requirements takes many forms, ranging from small and unintentional reporting omissions and errors to major levels of smuggling and wilful tax evasion. As the measurement of the total reporting non-compliance, such as the “tax gap”, is inherently costly, imprecise, and fraught with assumptions and interpretation issues, the CCRA does not directly invest in this form of measurement activity. Rather, it relies on a mix of qualitative and quantitative information derived from compliance programs and other indirect measures to assess compliance in this area.

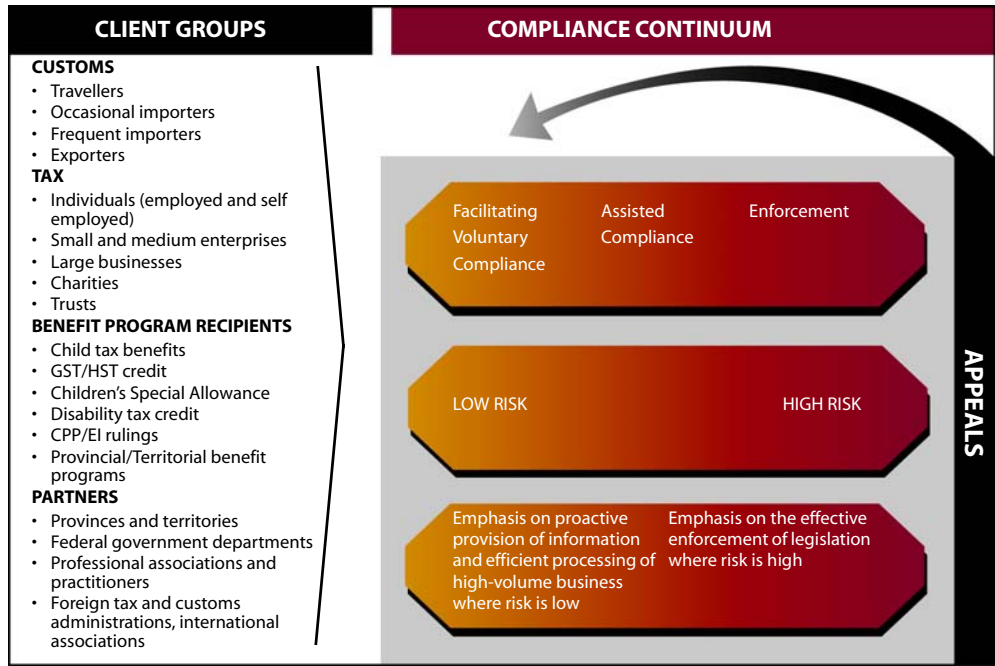
Our judgement, based on our experience, available evidence and estimates, is that non-compliance, while material, generally remains at relatively low levels—in line with prior years and compared to other countries. Much of our assurance is derived from a robust system of checks and balances that promotes accurate reporting of income and trade data, and facilitates the early detection of reporting errors.

As illustrated in Exhibit 105 all services and activities we carry out fall along a continuum that runs from facilitating Canadians' obligations to comply with the law, where voluntary compliance is considered to be generally high, to assisted compliance that provides added checks and balances (e.g., audit) to ensure that the law is properly understood and respected, to enforcement activities aimed at counteracting tax evasion and smuggling. Underpinning the compliance continuum is a dispute resolution system that aims to provide fair and impartial redress.



Appendix A

Exhibit 105: Compliance Continuum



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

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

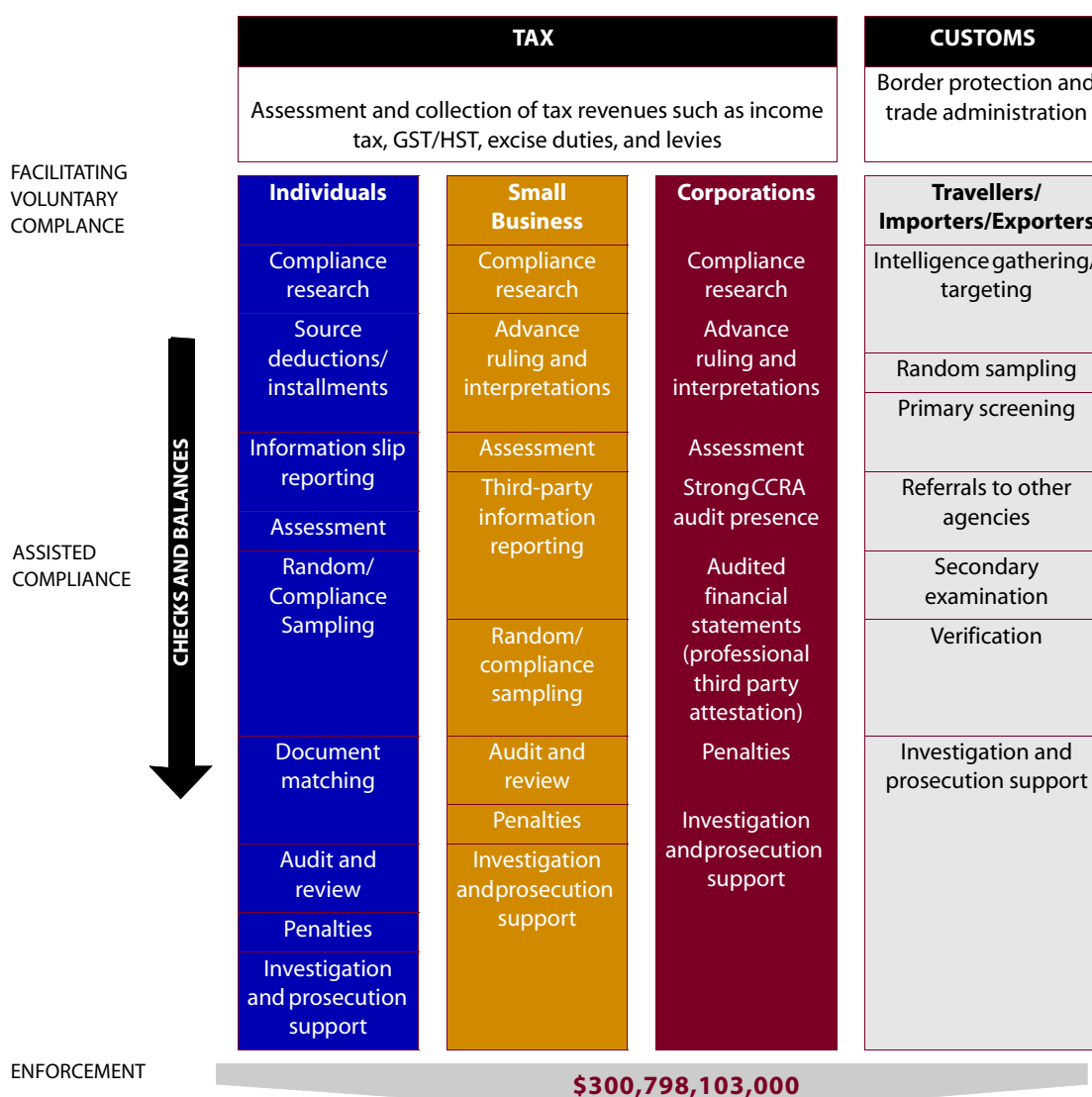
We employ an appropriate mix of service and enforcement measures supported by a variety of risk management practices and tools. These include a strong legislative foundation; effective intelligence gathering; collaboration with partners to promote best practices that encourage compliance; compliance research, data matching and sampling; responsible resource allocation; a robust planning and evaluation capacity; and, above all, having in place a capable, adaptable, and committed workforce.

Appendix A

Checks and Balances in Our Approach to Managing the Compliance Continuum

We have a robust set of checks and balances in place across the compliance continuum. These fundamental controls allow the CCRA to target its more resource-intensive enforcement efforts towards areas of highest risk and minimize the compliance burden for individuals and business. They promote the accurate reporting of income and trade data, reduce problems with insufficient tax and duty remittance, and facilitate the early detection of reporting errors. As illustrated in the exhibit below, the checks and balances go well beyond audit activities. These comprehensive measures span both preventative and detective controls, from source deductions, information slips matching, and intelligence gathering to audits, examinations and even prosecutions.

Exhibit 106: Robust Checks and Balances Support Tax and Customs Systems





Appendix A

Exhibit 107 portrays an estimate of how we have allocated our resources across the compliance continuum. Most of the \$3.4 billion spent in 2001-2002 on regular program operations was focused on facilitation. CCRA-wide, approximately 55% was allocated to client services, including processing of tax returns and benefit claims, and clearance of travellers and goods. The CCRA also dedicated 23% of its total resources to assisted compliance activities such as reviews, audits, and secondary customs examinations. Enforcement activities (revenue collections, criminal investigations, searches, seizures, etc.) accounted for 22% of total resources. This year's allocation of resources is broadly similar to last year's, but resources have been added for new technology and other enforcement activities largely as a result of the events of September 11. We continue our emphasis on facilitating voluntary compliance, the cornerstone of our compliance agenda.

Exhibit 107: CCRA-wide Resources Allocated to the Compliance Continuum

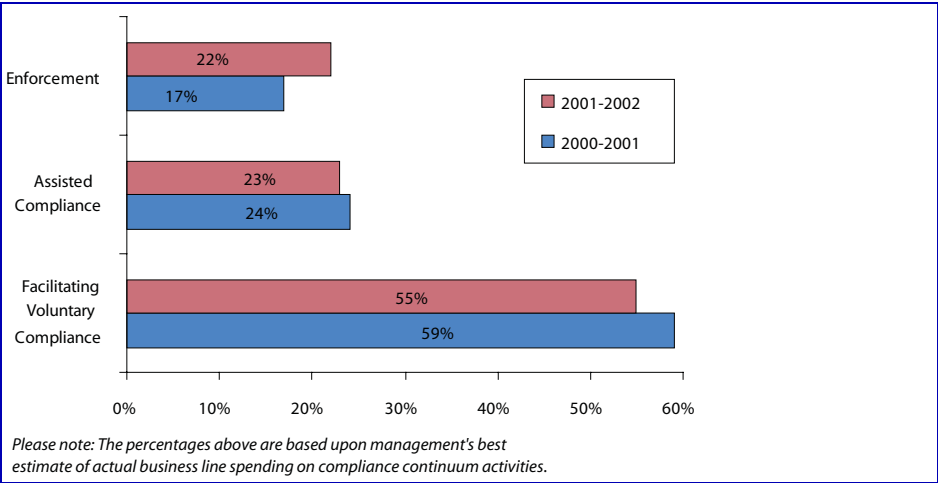


Exhibit 108: Estimated Resource Spending Along the Compliance Continuum for Our Five Business Lines (in \$millions)

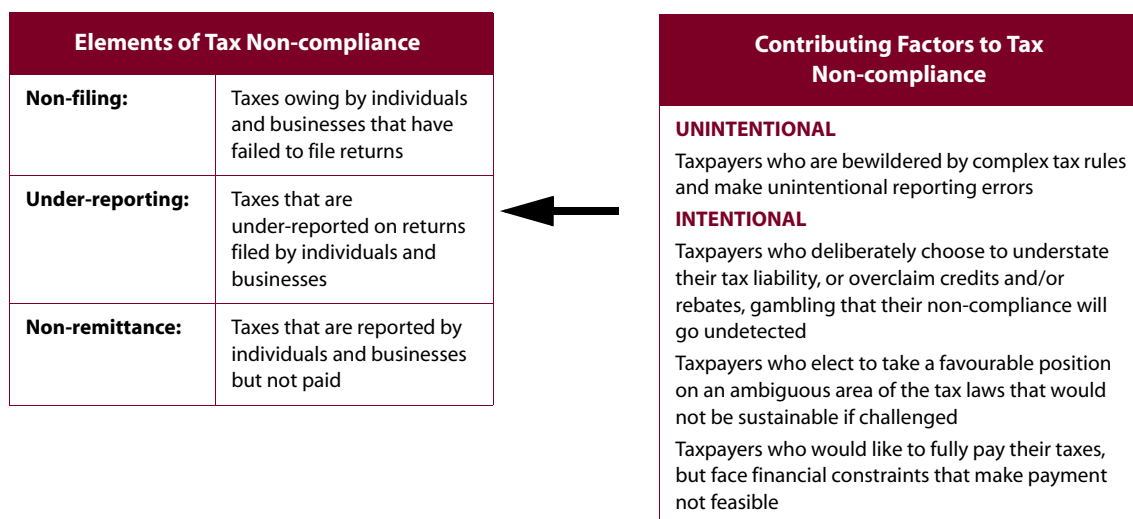
CCRA Resources by Business line	Facilitating Voluntary Compliance	Assisted Compliance	Enforcement	Total
Tax Services	884.6	503.7	467.1	1,855.4
Benefits	47.5	5.9	–	53.4
Appeals	75	–	–	75
Customs	403.3	72.8	84	560.1
Corporate	404.8	167.2	158.2	730.2
CCRA's total	1,815.2	749.2	709.3	3,274.1

Appendix A

Understanding Non-Compliance

While overall compliance is high, like any other tax and border administration, we know that there will always be some degree of non-compliance. Exhibit 109 illustrates the elements of non-compliance with tax obligations, and the factors that contribute to it. The nature and sources of border non-compliance associated with the customs business line are largely comparable.

Exhibit 109: Understanding Tax Non-Compliance





Appendix B

Appendix B – Working with our Partners

Agency status gives us the flexibility to move beyond delivering existing programs to developing value-added partnerships with other levels of government and other public sector organizations. We are eliminating apparent duplication across different levels of government, and leveraging our systems to provide new services for Canadians at lower costs. Canadians have clearly indicated they prefer "single window" access, whether in person, by phone, by mail, or on-line, to the fullest possible range of public services and programs. Meeting this expectation is the challenge we share with our colleagues in other federal departments, and with our counterparts in the provinces, territories, and municipalities. It is a challenge that we can only address through partnerships, and we are steadily making progress. In 2001-2002 we continued to build new service delivery arrangements with our partners, which from our clients' perspective means simpler, more convenient access to quality services. The following table summarizes the wide range of tax, customs, benefits, appeals and other programs and services that the CCRA delivers on behalf of the provinces and territories.

Exhibit 110: Types of Programs and Services Administered by the CCRA on Behalf of the Provinces and Territories, by CCRA Business Line

	Tax Services			Customs (collections on non-commercial imports)			Benefits and Other Services					Appeals
	Personal Income Tax	Corporate Income Tax	No. of Tax Credits ^a	Liquor	Tobacco	Sales tax	No. of Child Benefit / Credit Programs	NCBS ^b Data Exchange	Program Data Support	No. of Other Programs	Refund Set-Off	Dispute Resolution
Alberta	•		3	•			1	•		1	•	•
British Columbia	•	•	16	•	•	•	2	•	•	1	•	•
Manitoba	•	•	13	•	•	•		•				•
New Brunswick	•	•	5	•	•		2					•
Newfoundland and Labrador	•	•	5	•			4	•	•			•
Northwest Territories	•	•	4				2	•				•
Nova Scotia	•	•	11	•			1	•	•	3	•	•
Nunavut	•	•	4				2	•				•
Ontario	•		13	•	•	•		•	•	2	•	•
PEI	•	•	4	•				•				•
Quebec				•	•	•		•	•			
Saskatchewan	•	•	13	•	•	•	2	•	•			•
Yukon	•	•	7	•			1	•				•

a. Tax Credits vary for each province and territory.

Examples include: Research and Development Tax Credit and Tax Credit for self-employed individuals

b. National Child Benefit Supplement

Appendix B

A key accomplishment for the 2001 tax year was that all provinces and territories, except Quebec, participated in Tax on Income (TONI), which allows participating provinces and territories to set their own tax brackets and rates. This fundamental change to the Canadian income tax process will enable the provinces and territories to implement tailored, fiscal policies within the context of federal/provincial tax agreements. We are also exploring the development of other initiatives for enhancing relations with the provinces and territories, such as developing an enhanced focus on income allocation audits, ensuring provincial input to audit coverage plans, and conducting performance measurement surveys.

We administer 17 ongoing social benefit related programs for the provinces and territories, thereby reducing government duplication, supporting important social objectives for Canadians, and making the best use of our program delivery infrastructure and expertise. We have Services Management Frameworks with seven provinces and one territory that guide us in our consultations on program delivery and performance, as well as change initiatives such as *Future Directions*. To more directly support provincial and territorial administration of social assistance by ensuring timely and accurate payments to those in need, we implemented the Benefit Data Sync Link project to provide on-time Internet linkage. We have strengthened our accountability to the provinces and territories by producing annual reports and holding annual meetings with their finance ministers regarding program administration. We are also developing a cost model that can more precisely determine the cost of the services we provide.

We have concluded partnership arrangements with respect to the administration of sales tax and income tax with a number of First Nations. For example, we now manage a sales tax on behalf of eight First Nations that covers alcohol, fuel, and tobacco. We also administer a First Nations income tax on behalf of seven self-governing Yukon First Nations. This arrangement can serve as a model for future income tax sharing arrangements with other First Nations.

We continue to collaborate closely with key OGD partners in the effective implementation of government policies that support Canadians' security, business, health and safety, immigration policy, and the distribution of economic and social benefits to Canadians. This year, there has been a high emphasis on security and the development of related legislation following the events of September 11. As examples of results of these working arrangements, we:

- implemented the *Air Travellers Security Charge* (**Department of Finance**);
- developed the *Charities Registration (Security Information) Act* (**Department of the Solicitor General**); and
- are developing the new *Proceeds of Crime (Money Laundering and the Terrorist Financing Act)*, which is expected to come into force in September 2002 (**Department of Finance**).

We have also been working with Human Resources Development Canada (HRDC) to find better ways to ensure that all potential recipients are made aware of benefits under the Old Age Security (OAS) and Guaranteed Income Supplement (GIS) programs.

Our collaborative approach extends to our tax and customs colleagues in other countries. Since September 11, we have been extremely active in working with our U.S. colleagues in attempting to ensure people and goods move securely and quickly across the Canada/U.S. border. This collaboration will increase, as the CCRA plays an important role in implementing the Canada-U.S. Smart Border Declaration's 30-Point Action Plan.



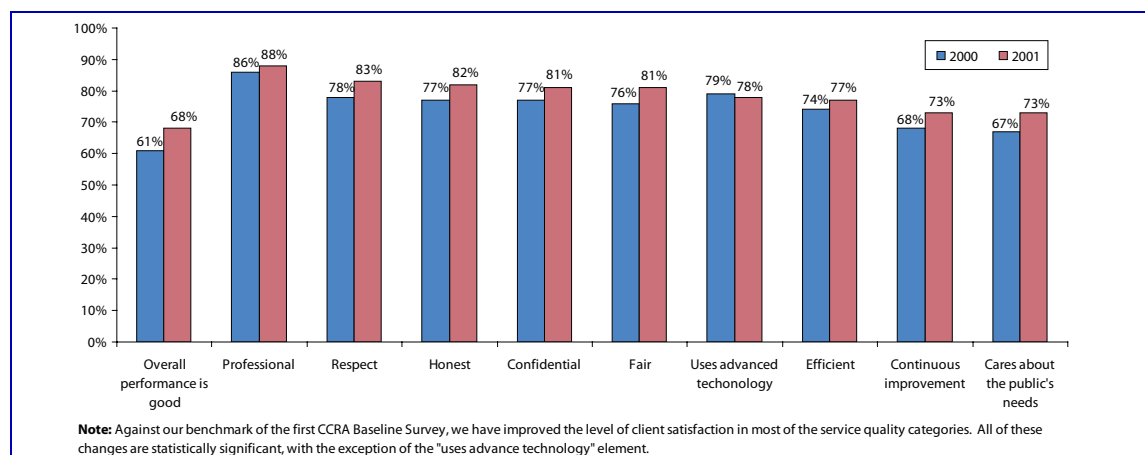
Appendix C

Appendix C – Measuring Client Satisfaction

Our 2001 CCRA Annual Survey suggests that at least as many Canadians (68% compared to 61% last year) believe that the CCRA is doing a good job overall (as noted previously in Exhibit 6). While some of this increase may be attributable to Canadians tending to be more supportive of government in the period following September 11, we nonetheless feel that these are relevant increases. Please see Exhibit 112 for a comparison of our Annual Survey results and margins of error for the last two years.

As noted in Exhibit 111 below, we also did reasonably well on nine other elements that were included in the survey.

Exhibit 111: Performance of the CCRA – Information From the CCRA Annual Survey 2001



During 2002-2003, we will develop a strategy to enhance the way we monitor and report on client satisfaction across our business lines. We will also undertake a study of other jurisdictions to develop appropriate performance benchmarks for individual indicators.

The main elements of our proposed strategy include more rigour and better coverage in measuring client satisfaction, and consistent measurement and reporting against eight newly defined primary indicators of client satisfaction. These indicators are:

- timeliness
- accuracy
- accessibility
- clear and simple messaging
- fairness (equal treatment)
- competency
- courtesy
- service in both official languages

A balanced coverage will be achieved by surveying the key client groups identified in Future Directions, one of our business transformation initiatives. These groups are: customs; individuals and benefit recipients; small and medium business; large business; and charities. We will also survey our stakeholders and partners to improve the comprehensiveness of our results. The 2002-2003 Annual Report will include the results of this new survey.

Appendix C

The implementation of our change agenda supports our commitment to improving client service. The efficiencies and better performance that will result from the innovation enablers we have put in place will lead us to our ultimate client satisfaction goal: that the vast majority of Canadians believe the CCRA is doing a good job overall.

Exhibit 112: Annual Survey Results and Margins of Error

Annual Survey Result	This Year's Rating		Last Year's Rating		Year-to-Year Change Statistically Significant?*
	2001 Result and Margin of Error*	2001 Result and Margin of Error*	2000 Result and Margin of Error*	2000 Result and Margin of Error*	
Rate the CCRA as doing a good or very good job overall	68%	± 1.74%	61%	± 1.86%	Yes
Rate the CCRA as doing a very good job overall	12%	± 1.86%	9%	± 1.09%	Yes
Rate the CCRA as doing a good or very good job in area of income tax	74%	± 1.68%	71%	± 1.77%	Yes
Agree that information provided by the CCRA during contacts is clear and simple to understand	80%	± 4.07%	73%	± 4.63%	Yes
Agree that tax guides and materials are clear and simple to understand	69%	± 1.77%	67%	± 1.84%	No
Agree that Tax Services staff are knowledgeable and competent	85%	± 3.63%	80%	± 4.17%	No
Agree that Tax Services staff are courteous	89%	± 3.18%	90%	± 3.13%	No
Agree that time it takes to obtain information or get service is acceptable	74%	± 4.46%	72%	± 4.68%	No
Somewhat or very satisfied with the time it took to get information or service	85%	± 1.40%	85%	± 1.43%	No
Agree that because some people cheat on their taxes, the rest of taxpayers have to pay more taxes	75%	± 1.62%	71%	± 1.73%	Yes
Agree that to discourage cheating, the CCRA should increase the use of audits and penalties	71%	± 1.70%	67%	± 1.80%	Yes
Believe that it is somewhat or very likely that people who cheat on their taxes will be caught	67%	± 1.76%	66%	± 1.81%	No
Rate the CCRA as doing a good or a very good job when it comes to the Canada Child Tax Benefit	78%	± 3.32%	75%	± 3.51%	No
Rate the CCRA as doing a good or a very good job when it comes to the GST/HST credit	75%	± 2.75%	73%	± 2.88%	No
Satisfied with ease of understanding CCTB application instructions	93%	± 0.87%	82%	± 1.77%	Yes
Satisfied with application processing time	81%	± 1.34%	67%	± 2.16%	Yes
Satisfied with information received in application process	90%	± 1.02%	86%	± 1.60%	Yes
Rate the CCRA as doing a good or a very good job when it comes to Customs	77%	± 3.15%	75%	± 3.62%	No
Agree that the Customs staff are knowledgeable and competent	90%	± 2.36%	88%	± 2.72%	No



Appendix C

Annual Survey Result	This Year's Rating 2001 Result and Margin of Error*		Last Year's Rating 2000 Result and Margin of Error*		Year-to-Year Change Statistically Significant?*
Aware of the right to appeal an assessment made by the CCRA	71%	± 1.70%	69%	± 1.77%	No
Agree that the CCRA acts in a professional manner in its dealings with the public	88%	± 1.21%	86%	± 1.33%	Yes
Agree that the CCRA treats the public with respect	83%	± 1.40%	78%	± 1.58%	Yes
Agree that the CCRA is honest in its dealings with the public	82%	± 1.44%	77%	± 1.61%	Yes
Agree that the information that Canadians provide to the CCRA is treated confidentially	81%	± 1.47%	77%	± 1.61%	Yes
Agree that the CCRA acts in a fair manner in its dealings with the public	81%	± 1.47%	76%	± 1.63%	Yes
Agree that the CCRA uses advanced technology to provide services to the public	78%	± 1.55%	79%	± 1.56%	No
Agree that the CCRA is efficient	77%	± 1.57%	74%	± 1.68%	Yes
Agree that the CCRA is continually improving its service to the public	73%	± 1.66%	68%	± 1.78%	Yes
Agree that the CCRA cares about the needs of the public	73%	± 1.66%	67%	± 1.80%	Yes

* Margin of error is accurate 19 times out of 20

** Significance of year-to-year change measured using 5% level of significance

Appendix D

Appendix D – Glossary

Accrual accounting	The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which they are considered to have been earned and incurred, whether or not such transactions have been settled finally by the receipt or payment of cash or its equivalent.
Activity based costing	A methodology that measures the cost and performance of activities, resources, and cost objects, assigns resources to activities and activities to cost objects based on their use, and recognizes the causal relationships of cost drivers to activities.
Adjudications	The mandate of the Adjudications Division is to review objections to enforcement actions taken under the <i>Customs Act</i> and to render decisions to those objections in a fair, impartial, transparent, and timely manner. This program is not delivered regionally or at the border—the Adjudications Division in Headquarters conducts the administrative redress process. When an objection is filed under the <i>Excise Act</i> , Adjudication's role is limited to advising individuals of the proper procedure to appeal in court and providing direction to the Department of Justice during this process.
Anticipated Results	Clear and concrete statement of results to be achieved within the time frame of parliamentary and departmental planning and reporting (1-3 years), against which actual results can be compared.
Assisted Compliance	Directed assistance is provided to help clients to accurately and completely fulfil their obligations and receive their entitlements under tax, trade and border laws. Our range of assisted compliance activities includes: information reporting; review and verification programs; audits and examinations relating to tax, trade or border regulations, policies and procedures.
Balanced Scorecard (BSC)	A strategic measurement-based management system, originated by Robert Kaplan and David Norton, that assists organizations in achieving a clear alignment between business activities and strategic goals, and provides a management tool to measure, monitor and manage performance.
Call accessibility	The percentage of telephone call attempts that reach an agent or get into a queue.
Caller accessibility	The percentage of individuals who reach an agent or get into a queue.
Cancellation	The reversal of a penalty or interest that has already been assessed.
Contingency payment	A payment made in good faith to a benefit client where required tax returns are not received and/or processed. This payment replaces the first monthly payment (July) in the annual cycle, and depending on when/if the return is filed, will either be treated as an overpayment, or will be adjusted with up-to-date income information in the second month of the payment cycle.
Corporate Business Plan	Within approved expenditure levels, the Corporate Business Plan sets out an organization's major challenges, directions and objectives for the planning period (that is, the Estimates year plus two future years as a minimum); the strategies to achieve those objectives; and the performance measures to be used to measure progress and to meet its performance goals.
Cash accounting	The method of recording transactions by which revenues and expenses are reflected in the determination of results for the period in which the related cash receipts or disbursements occur.



Appendix D

Data mart	Similar to a data warehouse, but focused on, and limited to, a smaller group or subset of data.
Data warehouse	A specialized database that draws data from applicable systems (normally operational systems) and presents it to users in a manner that facilitates search, review, and analysis.
Disputes	General term to designate disputes, objections, and appeals to the Minister.
Dispute resolution process	Clients who believe they have been treated unfairly are entitled to file a dispute. The Appeals business line reviews the dispute, discusses the issues with the client, and ultimately notifies the client of its decision. Clients who are not satisfied with the result of the review may appeal to the courts—or for Trade Administration issues, to the Canadian International Trade Tribunal (CITT).
Effectiveness	The extent to which an organization or program is meeting its planned results.
Efficiency	The extent to which an organization or program is producing its planned outputs in relation to the expenditure of resources.
Eligible	Meets the requirements of the legislation in order to receive a benefit.
Employment Insurance Family Supplement	Family based supplementary payments issued by Human Resources Development Canada using CCTB eligibility and entitlement information provided by CCRA on a monthly basis.
Enforcement	We maintain an enforcement capacity to take corrective action, where appropriate, to address cases of wilful or unintentional non-compliance. We carry out investigations to ensure compliance with income tax, GST, and customs duties. At the international level, we undertake a variety of enforcement activities to address non-compliance and verify that Canada's tax treaties are being properly applied.
Entitled	Qualifies for a specific payment for a specific period.
Entitlement	The amount due to an entitled person for a specific period.
Expected outcome	The expected result, effect or consequence that occurs from carrying out a program or activity—a long-term, ultimate measure of success or strategic effectiveness.

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

Tax Services:

Canadians pay their fair share of taxes and the tax base is protected – Our tax system is based on self-assessment and voluntary compliance. Canadians are more likely to participate in the tax system and pay the taxes they owe if we provide timely and accessible services to help them do so. People find it easier to participate when the system is accessible and when service is timely and fair. The accurate, timely, and efficient processing of returns encourages participation and shortens the time between filing and the receipt of taxes owing or distribution of refunds.

Appendix D

Although quality service and the efficient processing of returns help to promote compliance, there will always be some instances where individuals and businesses either unintentionally or intentionally fail to be fully compliant. A knowledgeable, skilled, and appropriately staffed work force that understands compliance behaviour and identifies areas of non-compliance is key to protecting the tax base, which the government relies upon to fund its social and economic policy objectives. This, along with a sound risk management approach for guiding audit, review, and debt collection activities helps ensure that any leakage in the tax base (non-compliance) is kept at a relatively low level, thereby contributing to greater equity and fairness in the administration of tax laws.

Benefit Programs and Other Services:

Canadians receive their rightful share of entitlements – It is critical that we provide Canadians with the right tools and information so that they can provide us with the information we need to register them on the appropriate benefit rolls and ensure they receive accurate and timely benefits payments. Canadians are likely to access these programs if they are informed about them and have a clear understanding of what they need to do to receive benefits. We also undertake review activities to verify eligibility and entitlements.

Provinces, territories, and other government departments rely on the CCRA as a key service provider – Our legislative flexibilities as an agency and the adaptability of our systems enable us to provide Canadians with a greater range of services on behalf of provinces, territories, and other government departments to reduce overall cost to taxpayers and reduce duplication.

Customs Services:

Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management – While it has assumed greater importance over the past year, security has always been a priority for us in carrying out our work to achieve our expected outcome. Finding the right balance between security and economic objectives is a continuous process that must respond to changes in the environment. We therefore aim to have in place the right mix of activities, within the constraints of our funding, to ensure responsible border and trade management, guided by sound risk assessment and partnerships. This mix, along with the right tools and a strong service component to inform businesses and individuals of their obligations under the laws, is intended to encourage compliance with Canadian trade and border legislation. We also work to provide a level-playing field for traders by promoting a consistent and predictable customs environment as well as protecting domestic producers from injurious trade practices. Finally, to protect our borders and facilitate trade, we need to deliver our programs through a skilled and knowledgeable work force of sufficient size to meet workload volumes.



Appendix D

Appeals:

Canadians receive an impartial and timely review of contested decisions through our redress system – Our aim is to provide clients with a fair dispute resolution process. An impartial and timely process fosters trust in the integrity of our tax and customs systems, which helps promote voluntary compliance with these systems.

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

Corporate Management and Direction:

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

Now that we are an agency, Canadians expect us to realize greater advances than we could as a department. This means leveraging our new found flexibility as a separate employer and custodian of our financial management policies, among others, to develop customized administration in support of better, faster, more affordable service to Canadians. We continue to put in place the tools and systems we need to achieve significant changes: human resources reform and renewal, administrative reform and renewal, and transparent management for results. At the same time, we are striving for further enhancements in our core programs, where appropriate. Our platform for change is found in the CCRA's Summary of the Corporate Business Plan.

Facilitation

Assistance provided to clients to help them understand their entitlements and obligations and facilitate voluntary compliance with tax, trade and border laws. We offer a wide range of client-focused services such as: counter service; forms and publications; telephone and electronic assistance; rulings and interpretations; and, information seminars.

Facilities Management

The ongoing day-to-day management of the Agency's Real Property portfolio.

Fairness Initiative

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

Fairness Provisions

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

Filing compliance

The voluntary and timely filing of a required tax return.

Appendix D

Fiscal Impact	Total fiscal impact includes federal and provincial tax (participating provinces only), federal tax refund offset or reduced, interest and penalties, and present value of future tax assessable.
Focus group technique	Qualitative research, usually undertaken by qualified consultants, designed to provide insight into public reaction to, or attitudes or impressions about, a narrow topic. Unlike quantitative research, results cannot be attributed to the entire population.
Focus test	A qualitative analysis designed to gauge public reactions, attitudes, or impressions about a narrowly defined topic. These analyses are carried out with the aid of focus groups—facilitated interviews typically involving six to ten members of a relevant client group.
FTE	Full-time equivalent (FTE) is a measure of human resource consumption based on average levels of employment. FTE factors out the length of time that an employee works during each week by calculating the rate of assigned hours of work over scheduled hours of work.
Goal	A general statement of desired result to be achieved over a specified period of time. The term goal is roughly equivalent to Strategic Outcome.
Governance	Governance is a comprehensive term used to denote the institutions and processes by which people are governed. It is the exercise of authority, control, management and power of government. More specifically, it refers to the operations of legislatures, cabinets and public services in Canada and the manner in which they interact with the public, including the style and substance of consultation, the management of the public service and the capacity of the private sector to participate effectively in the development and implementation of public policy.
Guaranteed Income Supplement	A program aimed at supplementing the income of low-income seniors, which is administered by Human Resources Development Canada.
Indicator	Indicators are further detailed quantitative and qualitative descriptors of outcomes. They tell you what the organization is doing. There are often many indicators for each performance measure. Indicators relate directly to the performance measure, and indirectly to the objective and outcome. Often indicators are described as "the number of...".
Intermediate Outcome	<p>Intermediate outcomes are the external consequences that contribute to meeting our strategic outcomes. Individually or in aggregate, the results of the intermediate outcomes provide a measure of our success in achieving our strategic outcomes. CCRA has identified six intermediate outcomes:</p> <ul style="list-style-type: none">• Canadians pay their fair share of taxes, and the tax base is protected• Canadians receive their rightful share of entitlements• Canadians' health, safety, security, and business interests are protected, and Canada's economic growth is supported, through responsible border and trade management• Canadians receive an impartial and timely review of contested decisions through our redress system• Provinces/territories and other government departments rely on the CCRA as a key service provider• Performance of our business services and operations are maximized through modern and innovative management approaches



Appendix D

Memorandum of understanding	A formal agreement between two or more parties that lays out terms and conditions for fulfilling commitments and undertakings that have been mutually agreed to.
Mission	An organization's mission statement provides the social, political and economic justification for its existence. The mission statement may be very short, and should reflect the organization's identity, its purpose, its desired response to key stake holders, its philosophy and core values, and its ethical standards.
Modified Cash	When payables at year-end are also included in that year's expenditures.
Non-arm's length transaction	A transaction among participants who are not dealing at arm's length with each other; for example, a transfer of assets between members of a related corporate group.
Non-refundable credit	Non-refundable tax credits reduce the amount of income tax you owe. However, if the total of these credits is more than the amount you owe, you will not get a refund for the difference.
Non-workable disputes	Files that cannot be pursued because they are referred to another party (for example, to Headquarters or to the Department of Justice) for opinion or they are related to a case in court on the same issue.
Operating Environment	Refers generally to the conditions, trends and developments existent in the external environment that are significant to the operations or directions of an organization. The operating environment is frequently subdivided into economic, technological, political and social domains.
Output	The actual activities, products or services produced by carrying out a program or initiative. To be differentiated from outcomes, which are considered the effects or ramifications of outputs; e.g. an audit may generate additional tax revenue as an output and result in increased taxpayer compliance as an outcome.
Performance	How well an organization, program, etc. is achieving its planned results measured against anticipated results. In results-based management performance is measured and assessed, reported, and used as a basis for management decision-making.
Performance Drivers	Performance drivers are the external or internal factors or events that we believe have an important impact on the CCRA's ability to meet its success criteria.
Performance Measure	A performance measure describes how well the organization is doing in terms of meeting its goals and objectives. The common types of measures include: effectiveness measures – extent to which the organization is achieving the outcome (doing the right thing); efficiency measures – the proposed ratio of relevant outputs to relevant inputs (doing things right); client service – the degree to which the needs and expectations of the recipients of the service are satisfied with the level and quality of service received; and timeliness – the extent to which the work is done on time.
Performance Reporting	The process of communicating evidence-based performance information. Performance reporting supports decision-making, serves to meet accountability requirements and provides a basis for citizen engagement and a performance dialogue with parliamentarians.
Planned spending	Main estimates (Report on Plans and Priorities)

Appendix D

Processing time	For income tax, GST/HST/excise, CPP/EI, and trade administration programs, processing time means the average number of calendar days between the date of mailing of the Notice of Objection and the date the client was notified of a final CCRA decision, excluding the number of days a dispute was in non-workable status. For the Adjudications program, processing time excludes files that at any time were held in non-workable status.
Refundable credit	Refundable tax credits are credits against tax owed. If the total of these credits is more than the amount you owe, you may claim a refund for the difference.
Remittance Compliance	The voluntary and timely payment of all taxes that have been reported.
Revenues Credited to the Vote	These revenues include amounts which are recoverable through Human Resources Development Canada from the Canada Pension Plan account for administering Part I of the Canada Pension Plan and from the Employment Insurance account for administering Parts IV and VII of the <i>Employment Insurance Act</i> .
Risk	The uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives.
Risk Management	A systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, and communicating risk issues.
Service Standards	Public commitments of standards of service that a client, customer or stake holder can normally expect, including such elements as descriptions of the service to be provided, service pledges or principles, delivery targets, and complaint and redress mechanisms.
Spike Centre	A CCRA location that is used to assist primary sites in handling high call-demand over short periods of time.
Strategic Outcomes	<p>The long-term and enduring benefits to Canadians that can be derived quite naturally from a department's vision and efforts. These outcomes describe the difference a department is mandated to make. In most cases, these outcomes will require the combined resources and sustained effort of many partners over a long period of time.</p> <p>CCRA has identified two Strategic Outcomes:</p> <ul style="list-style-type: none"> • That Canadians comply with tax, trade, and border legislation • That the CCRA is seen as a leading-edge service organization
Tax Base (protecting the)	The tax base is a government's greatest revenue-generating asset. It represents the broad range of goods, services, income, etc. that is subject to a tax. Protecting the tax base means the mix of activities undertaken by a tax administration to minimize real or potential leakage through reviews, audits, and investigations, among others.
Tax on Income (TONI)	Under the previous "tax-on-tax" system, individual income taxes in all provinces and territories (except for Quebec, which separately administers its own individual income tax) were computed as a percentage of the basic federal tax amount. Under TONI, they have the option to define their own tax rate schedules to be applied directly to taxable income. In addition, they may add supplements to existing non-refundable tax credits such as personal or spousal amounts, and introduce new non-refundable tax credits.



Appendix D

Tax Year	The annual period for which taxes are being reported; for most individuals this would be the preceding calendar year.
Total authorities	Main estimates + supplementary estimates + year-end adjustments; i.e., the full amount available to spend.
Transfer price	The price at which parties trade services, tangible property, and intangible property across international borders.
Values	The guiding principles that define an organization's corporate culture and reflect its distinct character. These values may involve the kind of product or service to be produced/delivered the kind of organization that it wants to be, or a managerial philosophy. Examples of values are professionalism, respect, cooperation, integrity, creative thinking, and dependability.
Vision	The vision clarifies what the organization should look like and how it should behave as it fulfils its mission. A vision statement emphasizes purpose, behaviour, performance criteria, decision rules, and standards. Other characteristics include being relatively future oriented; reflecting high ideals and challenging ambitions; and capturing the organization's uniqueness and distinctive competence.
Voluntary Disclosures Program	Provides clients with the opportunity to correct any past errors or omissions, and to report without penalty to the CCRA on their tax, duty, and tariff obligations.
Waiver	When penalties or interest have not yet been charged, a determination is made not to charge the amount, either at the client's request or on the CCRA's own initiative.
Write-offs	Uncollectible taxes that are deleted from active inventory of accounts receivable after the Agency has taken all reasonable collection action and exhausted all possible means of collection.

Appendix E

Appendix E – Acronyms and Abbreviations

ABC	Activity-Based Costing
ACI	Advance Commercial Information
ACIS	Automated Customs Information Service
ACROSS	Accelerated Customs Release Operations Support System
ACS	Agency Classification System
ADRS	Alternate Dispute Resolution System
AMC	Agency Management Committee
AMPS	Administrative Monetary Penalty System
APA	Advance Pricing Agreement
APEC	Asia-Pacific Economic Cooperation
API	Advance Passenger Information
AR&R	Administrative Reform and Renewal
BIDS	Business Intelligence/Decision Support
BIS	Business Information System
BN	Business Number
BoM	Board of Management
BPDSS	Benefit Programs Decision Support System
BSC	Balanced Scorecard
CADEX	Customs Automated Data Exchange
CAED	Canadian Automated Export Declaration
CANPASS	Canadian Passenger System
CAP	Customs Action Plan
CAR	Compliance Assessment Review
CARICOM	Caribbean Community Secretariat
CAS	Corporate Administrative System
CATA	Canadian Advanced Technology Association



Appendix E

CBP	Corporate Business Plan
CCRA	Canada Customs and Revenue Agency
CCTB	Canada Child Tax Benefit
CDRP	Commercial Driver Registration Program
CFIA	Canadian Food Inspection Agency
CIAT	Inter-American Centre of Tax Administrators
CIAT	Centro Interamericano de Administraciones Tributarias
CIP	Compliance Improvement Plan
CIRTP	Customs Inspector Recruitment and Training Program
CITT	Canadian International Trade Tribunal
CMD	Corporate Management and Direction
COMPASS	Compliance Measurement, Profiling, and Assessment System
CPP	Canada Pension Plan
CRÉDAF	Centre de Rencontres et d'Études des Dirigeants des Administrations Fiscales
CSA	Customs Self-Assessment
CSA	Children's Special Allowances
CTAB	Customs and Trade Administration Branch
C-TPAT	Customs-Trade Partnership Against Terrorism
DFAIT	Department of Foreign Affairs and International Trade
DTC	Disability Tax Credit
EAP	Employee Assistance Program
EDI	Electronic Data Interchange
EE	Employment Equity
E-FILE	Electronic Tax Return Filing Option
EI	Employment Insurance
EPPS	Expedited Passenger Processing System
EX	Executive Group - designation

Appendix E

FAST	Free and Secure Trade
FIS	Financial Information Strategy
FRR	Foreign Reporting Requirements
FSMKE	Forum for Strategic Management Knowledge Exchange
FTA	Canada-U.S. Free Trade Agreement
FTAA	Free Trade Area of the Americas
FTE	Full Time Equivalent
GOC	Government of Canada
GOL	Government On-Line
GST	Goods and Services Tax
GTEC	Government Technology Exhibition and Conference
HR	Human Resources
HRDC	Human Resources Development Canada
HST	Harmonized Sales Tax
ICS	Integrated Customs System
IM	Information Management
IMS	Intelligence Management System
IOTA	Intra-European Organization of Tax Administrations
IPIL	Integrated Primary Inspection Line
ITB	Information Technology Branch
JFO	Joint Force Operation
LTFIP	Long Term Facilities Investment Plan
MG	Management Group
MOU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
NCB	National Child Benefit
NCBS	National Child Benefit Supplement



Appendix E

NETFILE	Internet Tax Return Filing Option
NEXUS	Joint Canada/U.S. Customs and Immigration Program for frequent travellers
NVP	New Verification Plan
OAG	Office of the Auditor General
OECS	Organization of Eastern Caribbean States
OECD	Organization for Economic Cooperation and Development
OGD	Other Government Department
OL	Other Language
PAB	Public Affairs Branch
PATA	Pacific Association of Tax Administrators
PCPR	Preclaim Project Review
PIER	Pensionable and Insurable Earnings Review
PIPSC	Professional Institute of the Public Service of Canada
PKI	Public Key Infrastructure
PNR	Passenger Name Record
PPF	Public Policy Forum
PQP	Pre-Qualification Program
PSAC	Public Service Alliance of Canada
PSAT	Public Security and Anti-Terrorism
PSSRB	Public Service Staff Relations Board
RCMP	Royal Canadian Mounted Police
RIF	Retirement Income Funds
RMD	Release on Minimum Documentation
RSP	Retirement Savings Plan
SD	Sustainable Development
SEP	Special Enforcement Program
SIMA	Special Import Measures Act

Appendix E

SIMNET	SIMulator on the interNET
SM	Senior Management - designation
SMF	Service Management Framework
SR&ED	Scientific Research and Experimental Development
T1	Individual Income Tax Record
T2	Corporation Tax Return
T3	Trust Tax Return
T4	Statement of Earnings and Employer Deductions
TBD	To Be Determined
TELEFILE	Telephone Tax Return Filing Option
T.I.P.S.	Tax Information Phone Service
TONI	Tax on Income
TSO	Tax Services Office
VSI	Voluntary Sector Initiative
WCB	Workers' Compensation Board
WCO	World Customs Organization
WTO	World Trade Organization
XML	Extensible Markup Language