



accountability



CCRA Performance Report
2001-2002 Annual Report to Parliament

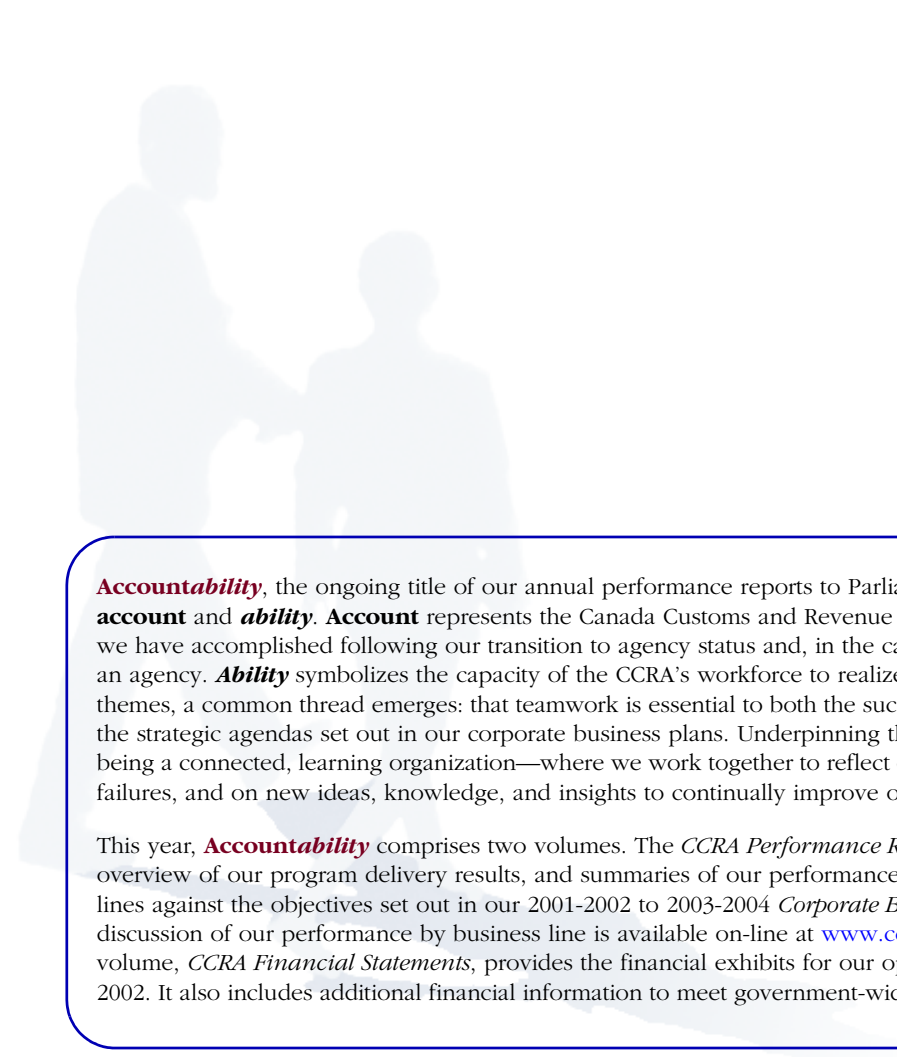
More Ways to Serve You!
Pour vous servir encore mieux!



Canada Customs
and Revenue Agency

Agence des douanes
et du revenu du Canada

Canada

A large, light blue silhouette of two people in a meeting. One person is standing and gesturing with their hand, while the other is seated and facing them. The background is white with a blue curved header at the top.

Accountability, the ongoing title of our annual performance reports to Parliament, embodies two key themes: **account** and **ability**. **Account** represents the Canada Customs and Revenue Agency's (CCRA's) declaration of what we have accomplished following our transition to agency status and, in the case of this 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*. (A more comprehensive discussion of our performance by business line is available on-line at www.ccra.gc.ca/annualreport.) 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.



Message from the *Minister*

It is with pride that I table the CCRA's second annual report to Parliament. Since becoming the Minister of National Revenue in January 2002, I have had the opportunity to work in an organization that has embarked on an exciting journey of transformation.

In its first two years as an agency, the CCRA has laid down a solid foundation for significant changes to how we contribute to the social and economic well-being of all Canadians by promoting compliance with Canada's tax, trade, and border laws.

I am very impressed by the accomplishments and the level of dedication of the CCRA employees who serve Canadians across the country. In the hours, days, and months following the tragic events of September 11, our employees were, at all levels, professional, competent, and responsive in meeting the requirements for heightened security at our border. Our customs officers exhibited compassion in processing thousands of anxious and stranded U.S. travellers. Senior management showed resolve and determination in instituting measures to increase security so that legitimate travellers and commercial shipments could be processed as expeditiously as possible.

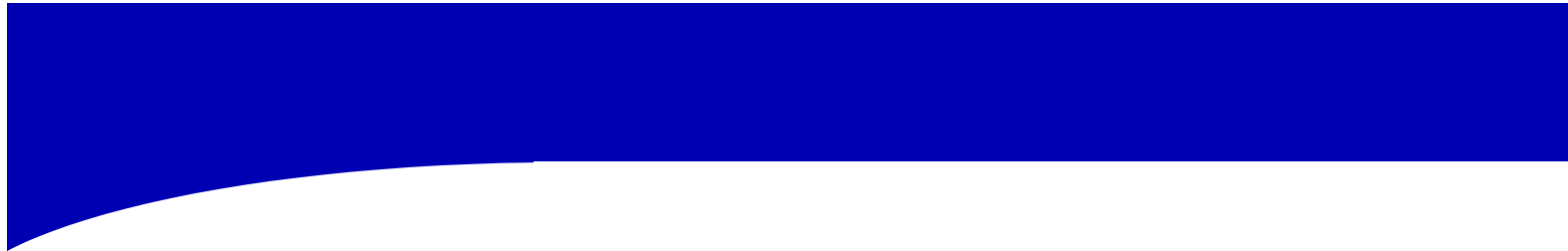
Despite these unprecedented challenges, our employees are steadfast in maintaining the high level of service that Canadians expect for all our business activities. We continue to show leadership in making new services available on-line, while collecting over \$300 billion in tax revenues to support many government programs.

Looking ahead at the coming year, I am excited about a number of critical challenges. I believe securing our borders and making the movement of people and goods more efficient must remain a key priority. The CCRA is committed to implementing the innovative programs in the Customs Action Plan and the Smart Border Declaration with the United States. We are also pushing forward with the Future Directions initiative.

Our goal is to be recognized as an organization that meets the many challenges of the 21st century with innovation, responsiveness, and integrity; an organization that is committed to providing the excellent service that Canadians expect and deserve. We know that there is still more work to be done, and we are setting our sights high to earn Canadians' confidence and respect.



Elinor Caplan
Minister of National Revenue





Foreword by the *Chair*

As I reflect on the vision for management excellence that has guided us since becoming an agency, and look at what has been accomplished during the CCRA's first two years of operation, I am proud to be part of such a dynamic evolution. My Board of Management colleagues and I have witnessed the great strides that can be made when management and staff have a genuine desire to work together as a team, toward a common goal.

During the past year, the CCRA has faced numerous challenges, both from a program perspective and in moving this unique federal institution forward, building on the strengths of both the public and private sectors. Our ability to meet these challenges and seize new opportunities is due to a foundation of sound management practices and the flexibility to adopt innovative approaches that are governed by values rather than rules. We have, for example, expanded our management structure to reflect our commitment to leadership in the CCRA and to put more decision-making in the hands of our managers.

There has been a marked increase in public expectations for enhanced accountability from corporations and government alike. We must continue to demonstrate concrete progress in delivering the best possible services for the tax dollars entrusted to us. Our credibility rests on having in place proper plans, appropriate controls, and an outcome-oriented measurement regime, supported by a willingness to be forthcoming and transparent in reporting our results to Canadians.

Although the Agency is still in its infancy, we are beginning to reap the benefits of innovation. We are learning new roles and responsibilities on our transformation journey, while meeting the daily demands of our complex and changing environment.

My colleagues and I look forward to continuing to oversee this transformation and provide stewardship of the CCRA. These are exciting times, and we are pleased to play a role in fulfilling the Agency's service commitment to Canadians.



Michael L. Turcotte
Chair, Board of Management





Management's Statement of Responsibility for Performance Information

The Canada Customs and Revenue Agency's *Annual Report* for the year ending March 31, 2002, was prepared under the direction of the Minister of National Revenue and the Commissioner, supported by the CCRA's Board of Management. The *Canada Customs and Revenue Agency Act* requires that an annual report be tabled in Parliament. This report must include information about the CCRA's performance on objectives established in its 2001-2002 to 2003-2004 *Corporate Business Plan*. It must also include an assessment by the Auditor General of Canada of the fairness and reliability of that information. It is not the role of the Auditor General of Canada to assess or comment on the CCRA's actual performance.

Management is responsible for the accuracy and completeness of information in the report. To fulfil this responsibility, management maintains financial and management control systems and practices that provide reasonable assurance that the information is accurate and complete. Some of the performance information is based on management's best estimates and judgments. In some instances, as indicated in the report, management used new categories of information that do not yet meet the CCRA's normal expectations for completeness and accuracy. However, this is the best information currently available, and management considers it appropriate to our circumstances.

To ensure an enhanced level of assurance, Internal Audit and Program Evaluation conduct independent reviews of various aspects of the CCRA's performance information. In addition, the Board of Management's Audit Committee—which oversees management's responsibilities for maintaining adequate internal control and financial/performance reporting systems—meets with internal auditors on a regular basis. This committee recommends the *Annual Report* to the Board for subsequent approval by the Minister.

The *CCRA Performance Report* contains the CCRA's performance information, and includes the assessment of the Auditor General of Canada (see [page 1-118](#)). Financial information reported in this volume is consistent with the audited CCRA financial statements contained in the second volume of this Annual Report, except for business line spending, as explained on [page 1-36](#).

Stephen Rigby
Chief Financial Officer and Assistant Commissioner
Finance and Administration Branch

About Accountability

Accountability is the ongoing title of our annual performance reports to Parliament. Our second annual report builds on last year's foundation, demonstrating the CCRA's commitment to be clear and transparent in reporting to Canadians about the results we are achieving. It forms the basis for taking stock of our progress midway through our first five years as an agency, and explains how, as a learning organization, we are building on our knowledge and experience to provide high-quality services to Canadians at affordable costs.

Accountability is a permanent record of the dollars we have spent and the results we have achieved in working to fulfil our mission and meet the strategic change agenda set out in our 2001-2002 to 2003-2004 *Corporate Business Plan*, the companion document to this *Annual Report*. This first volume provides both a high-level, agency-wide overview of our program delivery results, and more detailed summaries of our performance in each of our five business lines. (A more comprehensive discussion of our performance by business line is available on-line at www.ccra.gc.ca/annualreport.) The second volume of this report, *CCRA Financial Statements*, provides the financial information for our operations and responsibilities in 2001-2002.

The CCRA's expected outcomes

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:

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 above 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 set out in our 2001-2002 to 2003-2004 *Corporate Business Plan*. Since that plan, we have defined strategic and intermediate outcomes for the

Agency and integrated them with our corporate goals and objectives in line with the Government's commitment to report on results for Canadians. [Exhibit 2](#) (see [page 1-22](#)) illustrates the integrated framework we are using as a basis for accountability against our 2001-2002 to 2003-2004 *Corporate Business Plan* objectives. Our most recent Corporate Business Plan, the Summary of which was tabled in Parliament in March 2002, provides further detail on our Strategic Framework for Planning and Reporting.

Rating our performance

With **Accountability**, we are reporting on our performance at two levels: agency-wide, and by business line. 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 use a range of indicators including survey results, statistical samples, and relevant business volumetrics. In some cases, we rely 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.

Improvements in how we report our performance

Building on last year's foundation we have made the following enhancements:

- ✓ We have expanded the *CCRA Performance Report* to provide more context to our performance story. For example, we now include a performance snapshot for each business line and report on our progress against the 2000-2001 Road Ahead.
- ✓ We have increased our focus on innovation. We are reporting more clearly on our four change objectives, at a mid-point in our first five years as an agency.
- ✓ We include comparisons between this year's and last year's data, as well as graphs and charts to more clearly illustrate our results.
- ✓ We clarify the meaning of our expected outcomes and anticipated results, include a more complete set of targets, and define the success criteria we use to assess our performance.
- ✓ We provide a more comprehensive discussion of our performance by business line on our Web site, which includes a new schedule that showcases the work we do with our partners.
- ✓ We provide a better portrayal of our partners' contribution to results we have achieved in support of our shared outcomes.
- ✓ We clearly identify performance drivers—the external or internal factors or events that we believe have an important impact on the CCRA's ability to meet its success criteria.
- ✓ We include supplementary financial information in the *CCRA Financial Statements* to meet Departmental Performance Reporting requirements.

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Executive Summary

INTRODUCTION

Accountability tells our performance story for the 2001-2002 reporting year. Midway through our first five years as an agency, we are taking stock of our progress towards achieving the full potential of our unique status to deliver on our mission to Canadians.

We became an agency to provide more affordable, timely, accessible, and better quality service to Canadians, to forge stronger relationships with our partners, and to realize operational efficiencies. In short, we want to make a difference. We have embarked on a far-reaching innovation program to transform our business, keeping pace with changes in technology, business and management practices, government priorities, and Canadians' expectations.

We became an agency to provide better service to Canadians and to forge stronger relationships with our partners.

We have accomplished a great deal, although not as quickly as we had planned in all areas. We gained some critical insights, perhaps the most important relating to how we can realize meaningful change that cuts across the fabric of our agency. Simply put, it takes more than a year to put all the enablers in place that provide the springboard for significant breakthroughs in performance.

Creating a dramatic culture shift, while effectively managing the toll that change can take on our employees, requires time and an unwavering focus on our ultimate objectives. We must, however, remember that we are working toward a solid deadline, Parliament's five-year review of our success in meeting Canadians' expectations.

The tragic events of September 11 were a true test of how fit and responsive we are as an organization, in our ability to adjust quickly to completely unknown territory. Our results show that the foundation we established for our change agenda enabled us to respond swiftly and effectively, while continuing to deliver on our core agenda of promoting compliance.

This Annual Report allows us to take a step back, examine our overall performance, and ensure that we are headed in the right direction. We have consulted with many businesses and stakeholders, and they confirm that we are on track. Still, there are areas where we need to improve, and Canadians' expectations for our performance are higher than when we first became an agency.

While there are still many new initiatives that we could introduce to further our change agenda, we have decided at this point in our journey to focus on finishing the work that Canadians will recognize as making the right difference. We are committed to getting the job done well, and to sharing our experience and the lessons we learn along the way with our colleagues. Guided by our Minister and Board of Management, we will continue to transform the CCRA, while balancing the need to ensure the highest possible performance in our core operations day to day, within the context of our funding base.

WHO WE ARE

In becoming an agency, our core mission of promoting compliance with Canada's tax, trade, and border legislation and contributing to the social and economic well-being of Canadians did not change. However, we gained flexibilities in how we operate. This allows us to introduce innovations to improve service delivery, realize efficiencies in our internal processes, and pursue more effective partnerships and new business opportunities with the provinces and territories to eliminate duplication.

The CCRA plays a critical role in promoting the social and economic well-being of people across Canada. We are a diverse, complex, \$3 billion-plus operation employing almost a quarter of the entire Public Service of Canada. In 2001-2002, we collected over \$300 billion in tax revenue, or about \$1.2 billion on average for every working day. These revenues included over \$40.1 billion on behalf of the provinces, territories, and First Nations.

We are a diverse, complex, \$3 billion-plus operation employing almost a quarter of the entire Public Service of Canada.

We served over 102 million travellers, and processed 10.8 million commercial releases through over 480 customs service locations. We facilitated the interests of thousands of Canadian businesses internationally, and made benefit and credit payments worth over \$11 billion to more than 10.4 million Canadians during the year. We processed over 23 million tax returns for individuals and trusts, and another 1.6 million for corporations. We attended to close to 2.5 million businesses that regularly remit GST and HST. Recently, we corrected a long-standing error in the preparation of information on provincial income tax allocation that had resulted in overpaying some provinces about \$3.4 billion cumulatively for the 1993-1999 tax years.

We have also pursued an aggressive change agenda that includes Future Directions, an extensive consultations initiative to review our current services, programs and relationships with key client groups: small and medium enterprises, large businesses, individuals and benefits recipients, and charities. We have continued to take a strong leadership role in the implementation of Government On-Line—cementing Canada's first-place ranking in e-government.

We have sought to improve our accountability for the services we provide to other government departments and our provincial and territorial partners. By providing high-quality services at lower costs to these partners, we earn new business, which leads to less duplication of services and improved compliance by business with tax and customs laws.

Over the 2001-2002 reporting year, we continued to strive to provide the best possible service supported by responsible enforcement, within the constraints of our funding envelope. At the same time, we responded in a timely and coherent manner to significant unforeseen challenges in our operating environment.

OUR OVERALL PERFORMANCE

On balance, we believe we have met the high expectations set out in our 2001-2002 to 2003-2004 *Corporate Business Plan* that support our mission, in many cases equalling or surpassing our performance last year and addressing many of the areas we identified that needed improvement. At the same time, in some areas we have not yet reached the performance standards we are seeking and must improve.

Globally, our performance in delivering on our two strategic outcomes for our business is of paramount importance, as positioned by our *Corporate Business Plan*:

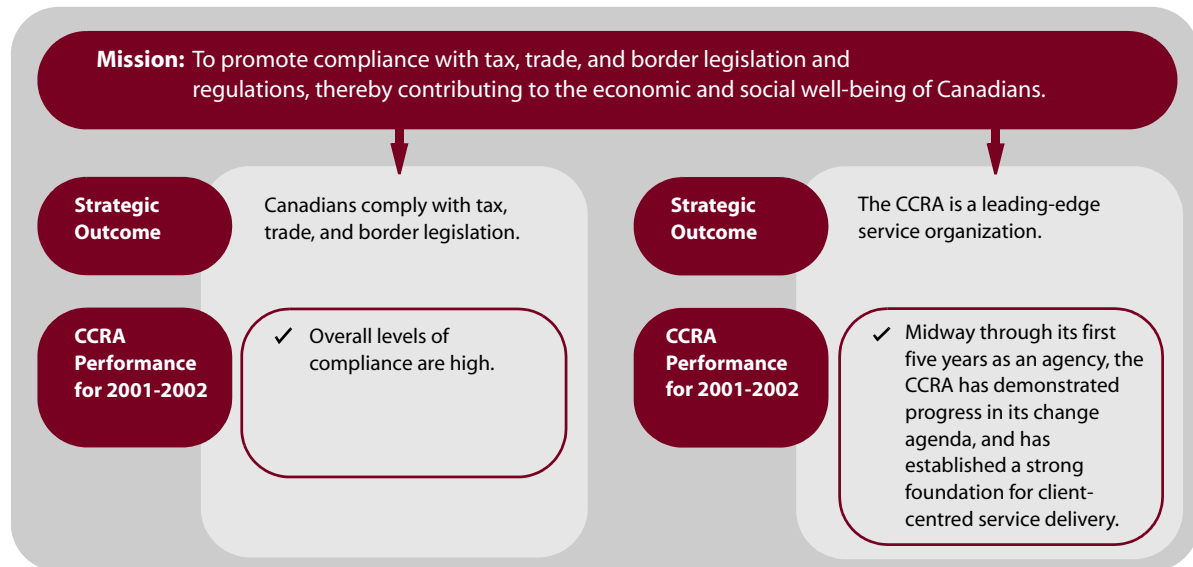
- Canadians comply with tax, trade, and border legislation, which constitutes our day-to-day core business.
- The CCRA is a leading-edge service organization, which encompasses our change agenda to improve our operations and services, as outlined in our *Corporate Business Plan*.

Exhibit 1 provides an assessment of our performance against these two outcomes.



Executive Summary

Exhibit 1: Performance Against Our Strategic Outcomes



In terms of our performance against the first strategic outcome, we expect overall levels of compliance to remain high. We continue to achieve this strategic outcome. Our assessment of the main indicators of compliance in filing, registration, border, remittance, and reporting suggests that the vast majority of Canadian individuals and businesses comply with tax, trade, and border laws. We have achieved year-over-year improvements for most compliance indicators, building on the already strong base of the previous year.

For the second strategic outcome, we expect client-centred service delivery to be enhanced through effective and timely implementation of the CCRA's change agenda. Midway through our first five years as an agency, we continue to make solid progress in the change agenda we embarked upon when we became an agency and further refined in our 2001-2002 to 2003-2004 *Corporate Business Plan*. We have put in place the enablers for important change in how we deliver our services. These will allow our clients and stakeholders to start seeing the results at the front line.

For more information on the CCRA's performance against its two strategic outcomes, see [Exhibit 5](#) on [page 1-25](#) and [Exhibit 6](#) on [page 1-28](#).

PERFORMANCE HIGHLIGHTS

The following section presents performance highlights across our business lines, aligned with our two strategic outcomes: **Compliance** – that Canadians comply with tax, trade, and border legislation; and **Innovation** – that the CCRA is a leading-edge service organization. In several areas, we have achieved some excellent results or notable successes. In others, where we have not met or mostly not met the expectations we established in our 2001-2002 to 2003-2004 *Corporate Business Plan*, action to address shortcomings is either being taken, or plans to do so are being developed.

A complete summary of our performance across all business lines is provided in “[Schedule A – The CCRA Performance Report Card](#)” on page 1-127. This summarizes our performance against the six intermediate level outcomes that support the fulfilment of our core and change objectives. Each of these six intermediate level outcomes is explained in the Main Points section of this report, beginning on [page 1-37](#).

Performance Highlights – Notable Successes

Managing the Compliance Continuum

	Page
✓ Immediate and effective response to the September 11, 2001, terrorist attacks , an unprecedented tragic event, which caused us to implement our highest state of alert and tighten security at border sites. This event confirmed the need to continue the direction set out in our Customs Action Plan, and to accelerate the implementation of key initiatives that support the recent Manley-Ridge Smart Border Declaration.	1-74
✓ Over 99% of 22.8 million individual T1 returns received for the 2001 tax year were processed efficiently and on time , exceeding our performance during the last two years.	1-46
✓ Over 99% of 34 million Canada Child Tax Benefit (CCTB) payments and 33 million GST/HST credit payments were issued on time , exceeding our consistently high performance of previous years.	1-64
✓ Completed the implementation of Tax on Income (TONI) processing, representing one of the most fundamental changes to income tax legislation in 25 years , to include all provinces, except Quebec, and the three territories. With TONI, the provinces and territories have more flexibility in how they adapt their income tax policy to reflect fiscal and social policies.	1-42
✓ We responded swiftly to increase resources to address the performance gaps identified last year and to meet added expectations in revenue generation, meeting most of our commitments to the Government of Canada. We were able to recruit and train new staff, while dealing with competing priorities and the impact of September 11.	1-54
✓ Significant progress in the overhaul of the Excise Act and Excise Tax Act. We have conducted a major review with the Department of Finance to overhaul the federal tax provisions for alcohol and tobacco products under the <i>Excise Act</i> and the <i>Excise Tax Act</i> . This review aims to replace the outdated administrative and enforcement structure with a modern regime reflecting current practices.	1-52

Performance Highlights – Notable Successes (continued)

Innovating for the Future

Page

- ✓ **Significant gains in continued transformation of our business** to provide integrated, harmonized, and client-centred services to Canadians:
 - **Leadership in the Government On-Line (GOL) initiative** – The 39% rate of electronic filing of tax returns in the 2001 tax year positions us well to achieve a rate of 50% next year. As well, we are building the capability to process 75% of tax returns electronically in the next few years. In addition, we received fewer tax-related calls, suggesting that our alternative service channels are contributing to a reduction in our clients' need to call for information. 1-46
 - **Continued positive public perception of the CCRA** – Results of the 2001 CCRA Annual Survey suggest that more Canadians (68% compared to 61% last year) say the CCRA is doing a good job overall, including 12% (versus 9% in year 2000) who feel it is doing a very good job. We recognize that this increase may be due to Canadians tending to be more supportive of government following September 11. 1-138
 - **A Future Directions service vision for the CCRA** – Our most extensive consultations exercise to review our relationship with key client groups has confirmed that our service delivery fundamentals are on track. 1-56
- ✓ **Our inaugural Annual Report was commended by the Auditor General as an “impressive start”** and demonstrates our commitment to transparently reporting our results to Parliament and Canadians. Performance agreements established for over 3,000 managers and 30,000 employees provide the fundamentals for achieving results in line with agency goals and outcomes. 1-102
- ✓ **The implementation of our human resources regime has shown significant progress in the areas of performance management and employee development.** A new management group has been established, recognized, and compensated, highlighting the key role played by our front-line staff and creating an environment where service is the first focus. We also developed over 25,000 individual learning plans—key to sustaining a more knowledgeable and skilled workforce. 1-104
- ✓ **Good progress in Administrative Reform and Renewal.** We have implemented the infrastructure to realize administrative efficiencies that will result in savings of at least \$50 million during the period of 2002 to 2006. We have set priorities to streamline key administrative policies and programs and to achieve efficiencies in such areas as procurement, materiel management, budgeting, and costing. 1-32

Major areas for improvements, see next page.

Performance Highlights – Major Areas for Improvement

Managing the Compliance Continuum

	Page
<ul style="list-style-type: none"> • Reduced credibility with the provinces following the discovery of an error in the application of the capital gains refunds earned by mutual fund trusts (the T3 issue) worth more than \$3.4 billion, for the 1993 to 1999 tax years. This was a significant issue last year and we have since put in place corrective measures that have had a positive impact on stakeholders' confidence. As a learning organization, we are using this incident to improve our internal risk management capacity. 	1-107
<ul style="list-style-type: none"> • We have made little progress in advancing our service standards, meeting or mostly meeting less than half of our 36 standards. We must improve in key areas such as income tax rulings, T2 corporate income tax returns, and our ability to monitor results. We have added or modified a few standards, but those for telephone accessibility and correspondence are still under development. 	1-133
<ul style="list-style-type: none"> • Continued slow progress in our ability to prevent further deterioration of the level of accounts receivable as a percentage of gross revenues. Our total tax collections related to unpaid taxes exceeded our commitment to the Government of Canada by 12.8%. However, tax receivables grew due, in part, to stronger than anticipated intake of new accounts. 	1-48
<ul style="list-style-type: none"> • While we have been able to reduce backlogs, our timeliness in processing corporate tax returns declined compared to previous years. Our timeliness in processing corporate returns was also below our revised standard for processing 75% of returns in 50 days and 90% in 90 days. 	1-46
<ul style="list-style-type: none"> • While there have been improvements, Appeals disputes still take too long to resolve; on average, 102 to 304 non-consecutive calendar days. As a result of a comprehensive review in early 2002-2003, we have established targets to improve timeliness over the next three years. We must also make further progress in monitoring the quality and consistency of decisions regarding our application of the fairness provisions. 	1-90
<ul style="list-style-type: none"> • More effort is needed to reliably and consistently measure the cost and other dimensions of our operations. In HR and financial management in particular, legacy systems are impairing our ability to make strategic decisions based on sound and comprehensive costing and results information. 	1-107

Innovating for the Future

<ul style="list-style-type: none"> • To complete the roll-out of key elements of the CCRA's HR regime, we need a comprehensive plan to 2004-2005, particularly in the areas of competency-based staffing, front-line learning, compensation, and official languages. 	1-104
<ul style="list-style-type: none"> • Delays in implementing the Balanced Scorecard as the CCRA's performance measurement system. The full implementation of the Balanced Scorecard is vital to providing our employees with the right information at the right time, empowering them to make sound decisions about the programs we are delivering. 	1-102
<ul style="list-style-type: none"> • While we made solid progress in advancing our partnerships with the provinces and territories, we recognize that we need to move beyond incremental change between now and our five-year parliamentary review. We will work to expand our administration of tax programs on behalf of the provinces. 	1-66



Executive Summary

IMPROVING OUR PERFORMANCE

As a learning organization, we are committed to gaining knowledge from our experiences to effectively address areas where we need to improve. In last year's Annual Report, we developed a Performance Improvement Plan that identified key initiatives and provided a timeframe for their implementation. We report on our progress against this plan at a corporate level in "Moving Forward" on [page 1-113](#), and for each business line in the Main Points section of this volume. Overall, as evidenced in the Performance Highlights, we are keeping pace with the commitments we have made to improve our performance. However, we did fall behind in our roll-out of the Balanced Scorecard.

To improve our performance for next year, we have again established clear and measurable strategies and initiatives, included in our 2002-2003 to 2004-2005 *Corporate Business Plan* and updates to our "evergreen" Performance Improvement Plan. In some cases, corrective measures have already been implemented. In other areas, it will take several years to reach our targets. In pursuing performance improvements, we are balancing our efforts to transform the way we deliver services with the need to fulfill our core mission of promoting compliance.





CCRA Performance Report

ABOUT OUR MISSION

Our mission has not changed since we became an agency two years ago. We are all the more committed to contributing to the economic and social well-being of Canadians, by promoting compliance with tax, trade, and border laws.

What has changed is how we deliver on this mission. We now have the flexibility to find better ways of working with our employees to achieve concrete results for our clients and our partners. We also have the mandate to look at our administrative processes and systems in order to implement innovative solutions that make us more efficient and productive—Canadians expect that of us.

Few other organizations deliver as many services to, or have as many interactions with, Canadians.

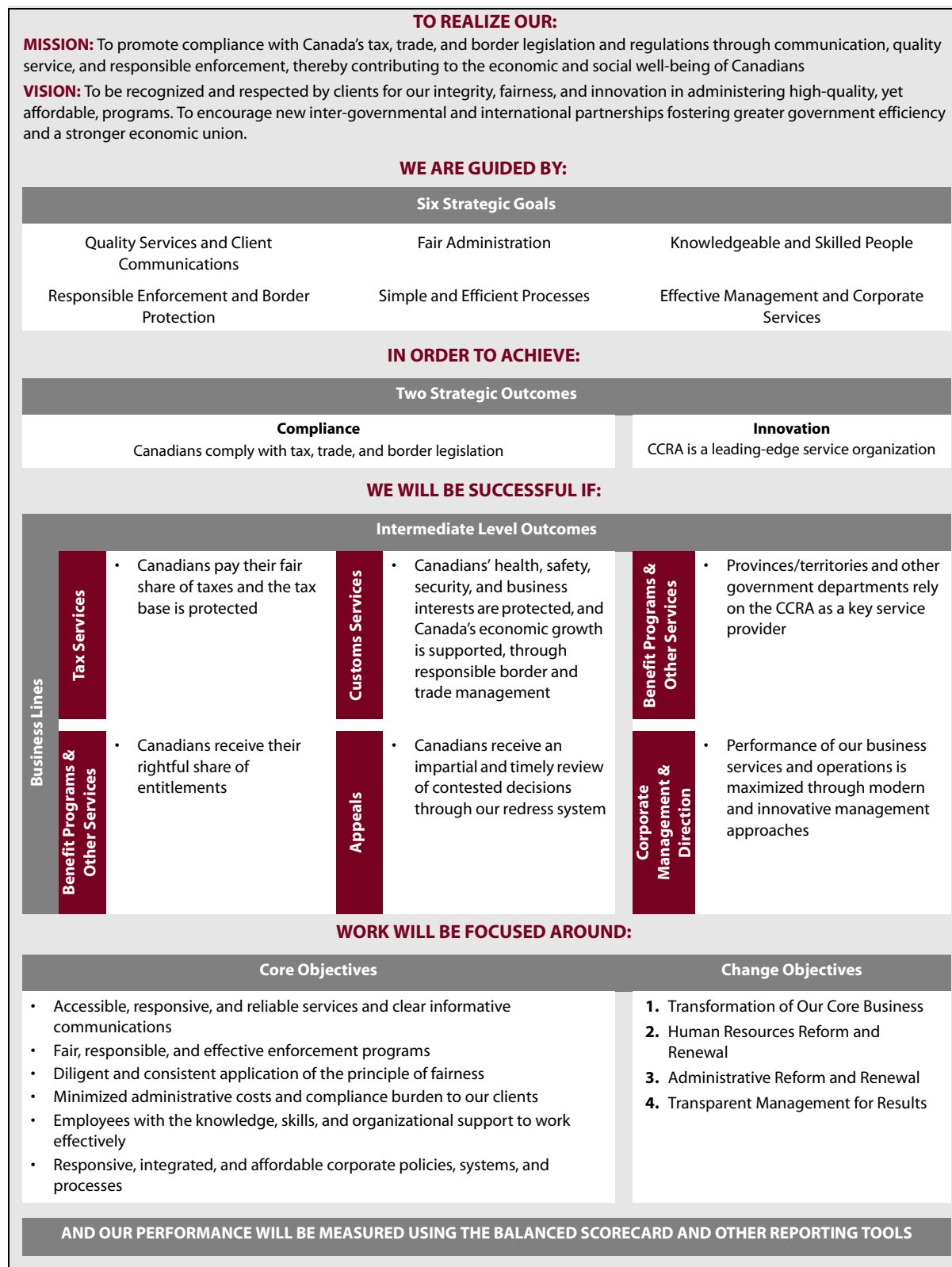
With our increased flexibility and our enhanced mandate for innovation comes the challenge of striking a balance between delivering the right services for the right price and achieving high levels of compliance with the laws we administer. Few other organizations deliver as many services to, or have as many interactions with, Canadians. For this reason, it is essential that we achieve the right balance—our performance can shape the public's attitudes toward government in general. We must also strive to connect with Canadians in a way that demonstrates the highest degree of integrity, professionalism, respect, and co-operation.

As one of the largest organizations in the federal government, much of our success comes from leveraging our ability to work with our federal, provincial, and territorial partners. Our partners rely on us to support them as they deliver their programs, by administering a complex set of over 185 acts, regulations, incentives, credits, surtaxes, and international treaties—including the *Income Tax Act*, *Excise Tax Act*, *Excise Act*, and *Customs Act*. They also trust us to test new boundaries in delivering services and accounting for our performance, and to share our learning and experiences with them.

There is still more work to do before we realize the full potential of the change agenda that we have embarked upon. However, our achievements over the past two years have provided us with the capacity to move forward in meeting new challenges and to show leadership in service and management excellence.

[Exhibit 2](#) illustrates the strategic framework that we are using for planning and reporting purposes. Simply put, this framework provides a strategic perspective on what we do, why we do it, and how. It therefore consists of long-standing elements of the CCRA's strategic foundation, including our mission, vision, and supporting goals. Building on this foundation, the framework also captures the strategic outcomes we are aiming to achieve: innovation and compliance. These outcomes are further refined by statements of intermediate-level outcomes, which we are pursuing by way of core and change objectives.

Exhibit 2: Strategic Framework for Planning and Reporting

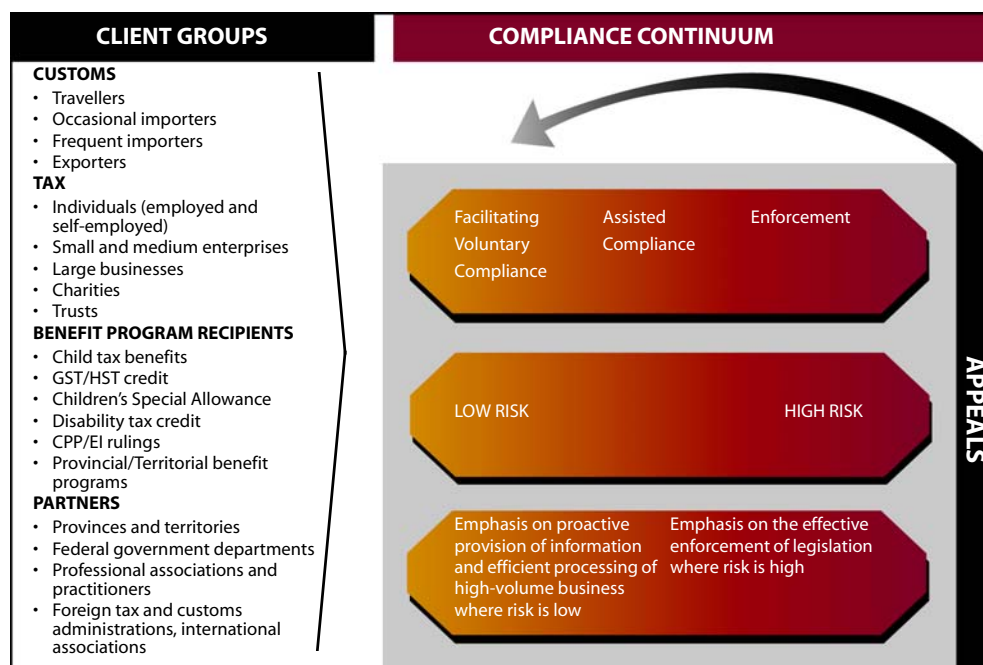


MANAGING THE COMPLIANCE CONTINUUM

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.

As illustrated in [Exhibit 3](#), 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.

Exhibit 3: Compliance Continuum



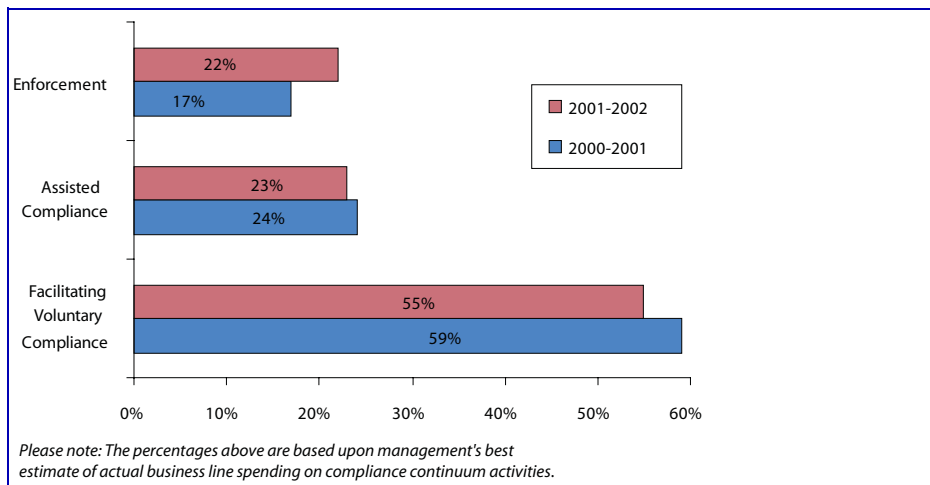
Managing the compliance continuum requires us to maintain a balance between individual interests and the public good—whether we are providing high-quality and responsive services on the one hand, or responsible enforcement on the other. Finding that right balance is not an easy task, particularly in 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.

[Exhibit 4](#) 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 4: CCRA-wide Resources Allocated to the Compliance Continuum



How we manage the compliance continuum is central to achieving our strategic outcome—that Canadians comply with tax, trade and border legislation—and constitutes one of the two major themes of this report. Our efforts in managing the compliance continuum are greatly assisted by the presence of a strong legislative foundation; the co-operation of over 1.4 million employers who withhold and remit income taxes they deduct from their employees' wages; about 2 million businesses that regularly remit GST/HST; businesses, travellers, and traders who remit other duties and taxes; and the support of our federal, provincial, territorial, and international partners.

We are proud of the high overall level of voluntary compliance that exists in Canada.

Assessment of Compliance: 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.

As summarized in [Exhibit 5](#), 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.

Exhibit 5: Strategic Outcome Statement – Promoting Compliance

Mission: To promote compliance with tax, trade, and border legislation and regulations, thereby contributing to the economic and social well-being of Canadians.

Strategic Outcome: Canadians comply with tax, trade, and border legislation.

Actual Results for 2001-2002: Overall levels of compliance continue to be high, as compared to 2000-2001.

This year's rating	Last year's rating	Year-to-year change

Page Ref.


- As Demonstrated by:**
- **Filing Compliance** – Most Canadian individuals (18 years and older) and businesses file their tax returns on time, without any direct intervention by the CCRA. For instance, 91.9% of all Canadians (18 years and older) filed a timely individual income tax return, up from 91.6% last year. As well, 91.9% of all taxable incorporated businesses filed their income tax returns on time (91.8% last year). Similarly, 90.3% of all CCRA-registered Canadian businesses filed their GST/HST* returns on time, up from 89.7% last year. 1-42
 - **Registration Compliance** – An estimated 83.2% of all known Canadian businesses were registered for GST/HST*, up from 78.2% last year. This represents a reasonably high degree of registration compliance when one considers that many businesses are not required to participate, for example, because their gross revenue is below the registration threshold. 1-42
 - **Border and Trade Compliance** – Sample test results, while not yet statistically reliable, suggest that the overall level of compliance with border requirements is reasonably high. These results suggest compliance rates ranging from 91% to 97% among our samples of travellers and commercial businesses entering the country by air or highway, which represent the large majority of all border entries. A preliminary analysis of sampled transactions in three priority commodity areas suggests that levels of compliance with certain trade requirements may not be as high as we had originally anticipated. 1-76
 - **Remittance Compliance** – 90.3% of taxable individual filers and 91.4% of taxable corporations paid their reported taxes on time (compared with 89.2% and 91.3% respectively, last year). About 2.5 million businesses* collected over \$62 billion in GST/HST on taxable sales of goods and services and remitted the net amount that was due to the CCRA. 1-42
 - **Reporting Compliance** – Non-compliance with reporting requirements takes many forms, ranging from unintentional reporting omissions and errors to smuggling and wilful tax evasion. Rather than attempt to estimate overall levels of reporting non-compliance, such as the “tax gap” or the total amount of smuggling activity, which is fraught with difficulty, we rely on information derived from our compliance programs and other indirect measures to make a qualitative assessment. Our judgement, based on our experience, available evidence and estimates, is that while non-compliance is material, it 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 (Schedule D on page 1-140) that promotes accurate reporting of income and trade data, and facilitates the early detection of reporting errors. 1-50

Legend

- Anticipated results met
Rating is based on good data quality
- Anticipated results mostly met
Rating is based on reasonable data quality
- Anticipated results not met
Rating is based on weak data quality
- Performance change
- Performance remained unchanged

For more information on this rating system, see [page 1-127](#).

* Businesses residing in Quebec register with the ministère du Revenu du Québec which administers GST on behalf of the CCRA and subsequently remits the net amount that is due to the CCRA.



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.

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



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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 (Schedule D on page 1-140) that promotes accurate reporting of income and trade data, and facilitates the early detection of reporting errors.

For each of our business lines, we provide more detailed information on our performance in promoting compliance in the Main Points section, starting on page 1-37 of this report.



INNOVATING FOR THE FUTURE

In February 2002, the Government launched Canada's Innovation Strategy, to make Canada known throughout the world for its culture of excellence, learning, and innovation. The CCRA shares this commitment to innovation, as reflected in one of our two strategic outcomes—that the CCRA is seen as a leading-edge service provider.

We are allocating over 12% of our budget to our change agenda. This significant investment reflects our belief that innovation is essential to achieving the higher levels of performance needed to support our compliance mandate. We have now reached a point where we need to ensure that we are realizing the benefits from our investment. We will know if we have hit the mark if Canadians and our partners rely on us as a key service provider and our employees are meeting the service standards that we have established.

As shown in Exhibit 6: Strategic Outcome Statement – Service Innovation on the next page, the CCRA has built a strong foundation for client-centred delivery. In addition, this year's Annual Report reflects our progress, midway

Exhibit 6: Strategic Outcome Statement – Service Innovation

Mission: To promote compliance with tax, trade, and border legislation and regulations, thereby contributing to the economic and social well-being of Canadians.

Strategic Outcome: The CCRA is a leading-edge service organization.

Actual Results for 2001-2002: Midway through our first five years as an agency, the CCRA has built a strong foundation for client-centred service delivery.

This year's rating



Last year's rating



Year-to-year change



Page Ref.

- As Demonstrated by:**
- The **2001 CCRA Annual Survey** suggests that most Canadians (68% compared to 61% last year) believe that the CCRA is doing a good job overall. 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 believe that this increase is relevant. 1-138
 - Last year, the service quality score for the CCRA based on scaled responses to the **Citizens First Survey** showed a statistically significant increase from its 1998 level of 50 to 54 on a scale from 0 to 100. Findings from the next report will be released in time for the 2002-2003 Annual Report. N/A
 - We have made further progress in providing **integrated, harmonized, and client-centred services** to Canadians and other clients, in the official language of their choice. 1-29
 - **We have significantly reformed and improved our human resources management system** by creating the Management Group and developing over 25,000 individual learning plans for our staff, among other initiatives. 1-104
 - **We have made little progress in advancing our service standards, meeting or mostly meeting less than half of our 36 standards.** We continue to work to improve the timeliness of our performance in a number of areas, including T2 corporate income tax returns. 1-133
 - We are recognized by the federal government and international organizations as a leader in **e-government**. 1-108
 - We have brought more precision to **transparent reporting on our change agenda** in this *Annual Report*, focusing on the four change objectives showcased in the 2001-2002 to 2003-2004 *Corporate Business Plan*. 1-107
 - **We have now implemented the 7-Point Plan for Fairness** to ensure our system is fair and, as a result, encourage more Canadians to comply with tax systems. We are now focusing on monitoring the consistent application of fairness across programs and services. 1-94
 - **While we have made solid progress in advancing our partnerships with the provinces and territories**, there is still more to accomplish. We will work to administer more programs for our partners, including expanding our administration of tax programs on behalf of the provinces. 1-66

Legend

- Anticipated results met
Rating is based on good data quality
- Anticipated results mostly met
Rating is based on reasonable data quality
- Anticipated results not met
Rating is based on weak data quality
- Performance exceeded or did not meet expectations for innovation
- Performance on track with expectations for innovation

For more information on this rating system, see [page 1-127](#).

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through our first five years as an agency, against an ambitious change agenda outlined in our 2001-2002 to 2003-2004 *Corporate Business Plan*. This change agenda is defined by four objectives:

- transformation of our core business;
- human resources reform and renewal;
- administrative reform and renewal; and
- transparent management for results.

Transforming Our Core Business

We are transforming our businesses in ways that keep pace with changes in our operating environment

We are transforming our businesses in ways that keep pace with changes in technology, business and management practices, government priorities, and Canadians' expectations. Our corporate management agenda has a significant information technology focus that allows us to respond to Canadians' expectations for faster and better service. We are recognized as a leader in e-government, with a 39% rate of electronic filing of individual tax returns in 2001-2002, and are building the capability to process 75% of tax returns electronically in the next few years. Canada also holds an impressive second place worldwide in on-line service delivery in the revenue sector, which is considered the most sophisticated and mature on-line sector in government. These successes strengthen our resolve to demonstrate that we have the capacity to respond to increasingly complex information management and information technology requirements.

Two major undertakings guide the transformation of our core business: the Customs Action Plan (CAP) and Future Directions. On November 28, 2001, Bill S-23 came into force, enabling us to proceed with many key CAP projects. The events of September 11 proved that the principles behind the CAP are sound; in fact we are accelerating the implementation of key border initiatives to support the recent Manley-Ridge Smart Border Declaration.

Building on experiences with CAP consultations, we have embarked on Future Directions, our most ambitious effort to review our relationships with key client groups and our delivery of services. The preliminary results confirm that we are on the right track, setting the foundation for continuous improvement.

Another key aspect of our business transformation is to encourage provinces and territories to rely on us as a key service provider—leveraging on the work we do and contributing to reducing the overall cost of government services for Canadians. While we have made solid progress to date, we recognize that we need to move beyond incremental change between now and our five-year parliamentary review.

We have strengthened our accountability to the provinces and territories for the programs we administer on their behalf. In particular, we took prompt measures to correct the T3 overpayments problem in a transparent manner with our provincial partners. On an ongoing basis, we produce annual reports to provinces and territories and hold annual meetings with provincial and territorial finance ministers regarding program administration.

As we move toward our five year parliamentary review, we will continue to pursue new partnerships using an integrated, client-centred focus. Among other things, we will work to administer more programs for our partners in the coming years, including expanding our administration of tax programs on behalf of the provinces. (More information on the work we do with our partners is available on-line at www.cra.gc.ca/annualreport.)

This year we finished implementing the 7-Point Plan for Fairness, a guide listing concrete ways that the CCRA can be fairer in its dealings with Canadians. We also began to develop an integrated satisfaction survey for key client groups, to ensure that the CCRA meets Canadians' expectations for high-quality service across all our business lines (see "[Schedule C – Measuring Client Satisfaction](#)" on [page 1-138](#)). This survey will ensure more rigour and coverage, and will include a declaration of the benchmarks against which we will assess satisfaction. More specifically, we will undertake a study of other jurisdictions to develop appropriate performance benchmarks for the individual indicators. The 2002-2003 *Annual Report* will include the results of this new survey.

Human Resources Reform and Renewal

Effective human resources (HR) management is an important issue facing the entire Public Service of Canada. Given the critical role our employees play in achieving our business results, the CCRA recognized from the outset the need to make radical changes to our HR regime in order to make significant improvements in our organizational performance. For example, it was taking an average of five months for external staffing; our classification system was overly complex and cumbersome; we lacked incentives to appropriately reward good employee performance; and measures to effectively deal with under-performance and our lengthy recourse system, at times confrontational, negatively impacted on workplace productivity.

Our accomplishments support better decision-making and quicker and more flexible staffing.

We have accomplished a great deal in the last two years, in large measure because we were prepared (for more details, refer to [page 1-104](#)). We had been planning and designing the transformation of our HR function since 1998, when our enabling legislation was tabled in Parliament. Our teams researched and analyzed the leading-edge theories and best practices. They recommended a tailor-made CCRA HR regime to provide the flexibility to deal effectively with challenges that the entire Public Service is currently facing. As a separate employer, our regime focuses on labour relations and compensation; resourcing; career and performance management; enhanced management capability; classification; and dispute management.

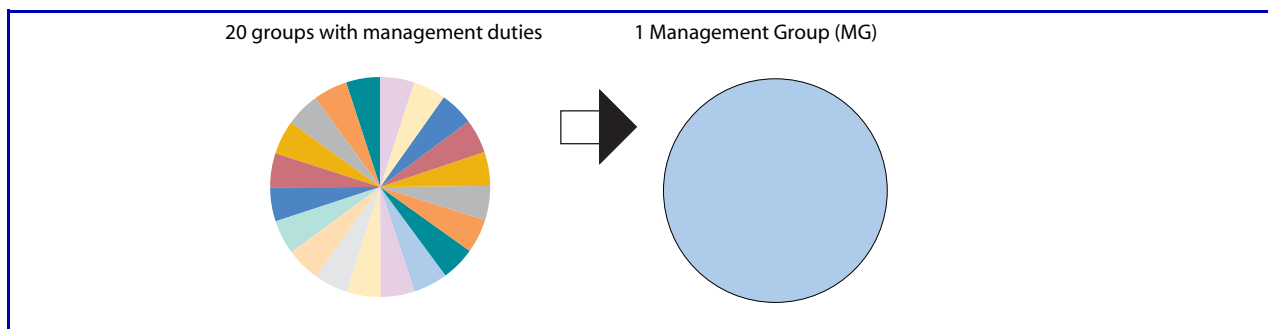
We have made solid progress and our Public Service colleagues are looking to us for innovative ideas and best practices. We have developed a business-focused HR system that puts more decision-making in the hands of our managers, and have announced a compensation policy for the CCRA that signifies our intention to be competitive in the marketplace. We have piloted the implementation of a competency-based HR management framework that includes pre-qualified processes. This is expected to make staffing faster and more flexible, while ensuring fairness. Full implementation of this new approach, which will unfold in the coming years, will make it unnecessary to reassess employees for common competencies and will provide the infrastructure for just-in-time staffing. Still, there is more work to be done to improve productivity at the front line.

As a learning organization, we recognize that our employees need the knowledge and skills to respond effectively to a constantly changing environment, while continuing to provide the highest-quality service. We have set an average of 10 days of training per manager, and have developed 25,000 individual learning plans to further develop employees' knowledge and skills. We have trained over 28,000 employees to date in our Alternative Dispute Resolution (ADR) process and we have established a network of 13 dispute resolution advisors. The number of harassment cases has decreased from a four-year average of about 90 complaints per year to 46 in 2001-2002. We believe this improvement is the result of our promotion of dialogue and our multi-faceted ADR programs. On the other hand the number of grievances has increased by 25%. We will report further next year on this situation. We have also implemented a performance management process that more clearly links performance expectations to corporate goals, discusses learning options and career development, and enables us to address, with due diligence, cases of employee under-performance.

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No doubt our breakthrough accomplishment in the last year, as illustrated in Exhibit 7, was the integration of 20 different supervisory and management functions into one management community, with the creation of the Management Group (MG). The CCRA now recognizes and compensates a key group of 3,200 MG employees (approximately 8% of our permanent workforce). This coherent management presence will drive the CCRA's program of change for HR reform and front-line service improvements.

Exhibit 7: Cohesive Integrated Management Group



We expect to realize many important benefits from this new structure that puts management of our employees first. These include a greater sense of belonging in our management community; clearer and more timely communication; and the ability to provide better support to managers through a more formal learning and coaching process. We have successfully negotiated collective agreements with the Public Service Alliance of Canada (PSAC) and with one bargaining unit of the Professional Institute of the Public Service of Canada (PIPSC). All negotiations with PIPSC were concluded as of July 2002. These agreements provide performance rewards for good people management for members of our MG group, a unique achievement in the Public Service. Our next step is to better empower our managers so that the benefits of this new structure reach our front-line employees, enabling strong advances in performance that will benefit Canadians.

Exhibit 8: Some Key HR Facts

- Over 40,000 permanent CCRA employees (over 53,000 total workforce)
- Temporary workforce that fluctuated from a peak of 12,700 in May 2001 to a low of 6,800 in January 2002
- 3,200 members of the Management Group (MG)
- 25,000 individual learning plans
- Average of 10 days of training per manager
- 6.6% of the CCRA's payroll was spent on training and learning
- 2 bargaining agents (formerly 6), 3 collective agreements (formerly 13)
- Over 28,000 employees trained to date in alternative dispute resolution; more in-depth sessions given to over 2,000 managers
- All our HR reforms apply to term and indeterminate employees

While the number of CCRA permanent employees grew from 37,550 on April 1, 2001, to 40,618 on April 1, 2002, and our attrition rate has remained low at 3.5%, we are monitoring intra-CCRA mobility to better understand and plan for the impact of the displacement of experienced employees. We expect that this challenge will be even more pronounced over the next ten years as our baby boomers begin to retire. We will be looking to other organizations for best practices and to benchmark our performance in HR planning, including succession planning and knowledge transfer programs or activities.

Other areas requiring our attention are the impact of change fatigue and workload pressures, and the need to continue to build positive working relationships with our unions and central agency colleagues. We also need to improve opportunities for our employees to use the official language of their choice in the workplace, the overall reliability of our HR information and, especially, the timeliness of internal compensation services. We will address these issues and continue our progress in HR reform and renewal, recognizing that each of our business lines faces challenges that are unique to the programs they administer and the services they deliver.

Administrative Reform and Renewal

We expect to realize savings of at least \$50 million over the next four years.

We are guided by a results-oriented, strategic approach that gives priority to sound financial management and efficient administration. One of our main accomplishments in 2001-2002 was the stabilization of our budget, in order to address operational workload pressures. These resources are also a huge enabler for all four change objectives. We have implemented some initiatives that will streamline our administrative processes, policies, and systems to increase our productivity, generate savings, and reduce bureaucratic inefficiencies. As a start, we expect to realize administrative efficiencies that will result in savings of at least \$50 million over the next four years. Our plan is to reinvest some of these savings in such areas as asset replacement, technology infrastructure, and our HR regime.

We are well underway, with an action plan that includes over 50 initiatives to address four key areas: cost reduction, improved service, modern comptrollership, and human resources. Phase I of the government Financial Information System has been implemented, a Policy and Accountability review has been completed, and a Sustainable Development Plan is in place for 2002-2003 and beyond. We have also established a methodology for and initiated a feasibility study of activity-based costing in the CCRA.

While we have made much progress in our efforts to reform our financial and administrative practices, the end-state lacks precision. We need to clarify our vision and put more emphasis on results. We also have to ensure that we "right size" our efforts to realize efficiencies, to avoid jeopardizing the improvements we have made in support to our business operations.

Transparent Management for Results

Our solid platform consists of a Corporate Business Plan, Annual Report, and Balanced Scorecard.

In order to demonstrate the integrity, performance, and value of our programs to Canadians, we are linking our planning and reporting regimes, and improving our risk and performance management. As illustrated in Exhibit 9, we have developed a Simplified Management Model that includes a Corporate Business Plan that more clearly defines deliverables and an Annual Report that presents our performance story in an innovative, outcome-oriented, and results-based manner. This model integrates the Balanced Scorecard with our Corporate Business Plan and Annual Report, to ensure consistent and comprehensive performance information.

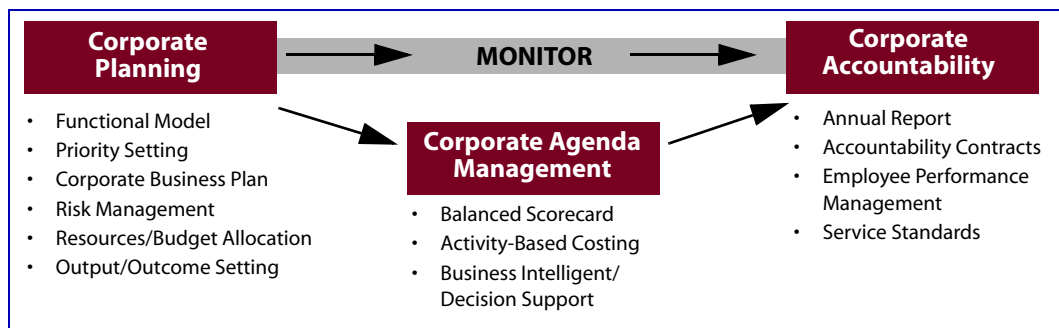
However, we are behind in implementing the Balanced Scorecard. We are learning that the implementation of such a large performance measurement system is complex and takes time. Nonetheless, we have moved quickly to take corrective measures that will enable us to provide performance information that our managers and employees need to deliver results.



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Our commitment to transparency goes beyond simply meeting our statutory obligation to table an annual report before Parliament. Transparency is part of our culture; it is how we manage our business, as shown by our response to the T3 overpayment to six provinces. In the context of a learning organization, we identified the problem, brought in auditors and the Office of the Auditor General, and dealt with the issue swiftly and with due diligence.

Exhibit 9: Simplified Management Model



We have revised the CCRA's Internal Audit and Program Evaluation (IA/PE) policy to establish a new governance structure for internal audit and program evaluation and to ensure that these activities remain consistent with current trends in the federal government. The IA/PE functions provide the Commissioner with independent advice and assurance regarding CCRA operations.

We have also developed two key plans to support effective resource management: an Investment Plan and an Asset Management Plan. The three-year rolling Investment Plan has a funding base set at \$110 million per year. It identifies strategic investment activities required to achieve the CCRA's mandate and its four change objectives. The Asset Management Plan allocated over \$130 million in 2001-2002 to the renewal and replacement of our assets, based on the concept of life cycle management. A strategy and policy have been implemented to ensure that resources for the Asset Management fund will continue to be used efficiently. For 2003-2004, we will enhance this annual innovation fund to accelerate e-government and other service innovations.

As Exhibit 10 illustrates, we are on track in implementing all but two of the key change initiatives that were outlined in the 2001-2002 to 2003-2004 *Corporate Business Plan*. In instances where we have not met our target, we have included these deliverables in the CCRA's 2002 Performance Improvement Plan, found on [page 1-117](#) of this report.

Exhibit 10: Progress Against Key 2001-2002 Innovation Deliverables

Change Objective	Planned Deliverables For 2001-2002	Milestones Met?
Business Transformation		
Customs	• Customs Self Assessment , to reduce import release data requirements	✓
	• Administrative Monetary Penalty System , to improve enforcement with a wider range of options for sanctions and penalties	☑
	• Expedited Passenger Processing System , (now referred to as NEXUS-Air and CANPASS-Air), for automated primary inspection of pre-screened air passengers	✗
Tax Services	• Authentication Management System , for secure, electronic self-service options over the Internet. The first application is for change of address.	✓
	• Business Number , to make Business Number registration available over the Internet	✓ *
	• T4 Internet Filing , to enable employers to file T4 (<i>Statement of Remuneration Paid</i>) returns over the Internet	✓
	• Pre-Authorized Debits , to replace post-dated cheques for individual income tax instalment payments, and for collection agreements	✓ *
	• Compliance Quality Initiatives , to ensure the quality of compliance activities	✓
Benefits	• Canada Child Tax Benefit , to implement new thresholds for this benefit	✓
Appeals	• Service Standards , to provide for an initial contact within 30 days of receipt of objection or dispute	✓
	• Mediation , to explore the use of an alternative to the existing objections process for selected types of income tax files	✓
Human Resources Reform and Renewal		
	• Staffing – Resourcing , to provide job competency profiles and assessment tools for high-demand areas, an automated applicant processing system, a new Student Program and a pilot of the pre-qualified pools concept	✓
	• Recourse – Dispute Management , to train managers in new alternative dispute resolution techniques	✓
	• Labour Relations and Compensation , to negotiate the first collective agreements following the Public Service Staff Relations Board decision	✓
	• Management Group , to implement this group to provide a more coherent management presence and drive the Agency's program of change	✓
Administrative Reform and Renewal		
	• Policy and Accountability Review , to identify and address the risks, benefits and efficiencies expected from administrative reform and renewal	✓
	• Real Property and Sustainable Development , to identify best practices on paper reduction, and cost savings and energy efficiencies from CCRA-owned buildings	✓
	• Materiel Management , to consolidate inventory management activities and establish new supply methods	✓
	• Activity-Based Costing , to develop the methodology that will lead to more effective decision-making	✓



CCRA Performance Report

Change Objective	Planned Deliverables For 2001-2002	Milestones Met?
Transparent Management for Results		
	• Balanced Scorecard , to provide performance information for all key programs and an action plan to eliminate gaps	×
	• Service Standards , to establish action plans that will increase awareness and regularly report on related performance	✓
	• Executive Performance Agreements , to include a revised assessment and review process, expanded to much broader management	✓
	• Performance Reporting , to provide fair, reliable performance information and produce our first Annual Report as an agency	✓
	• Risk Management , to have in place a fully operational organization-wide risk management program	☑

*Multi-year initiative completed.

✓ Met ☑ Mostly met × Not met

PERFORMANCE BY BUSINESS LINE

In the previous section, we highlighted the CCRA's overall performance in year two of our first five years as an agency for our two strategic outcomes: Compliance—that Canadians comply with tax, trade, and border legislation; and Innovation—that the CCRA is a leading-edge service organization.

This section provides a more in-depth discussion of the results we have achieved in each of the five lines business to support our two strategic outcomes. These five business lines were established to provide a client focus to all activities:

1. **Tax Services**, which assists Canadians and businesses in receiving their entitlements and meeting their obligations under the tax system;
2. **Benefit Programs and Other Services**, which provides Canadians with income-based benefits and other services that contribute directly to their economic and social well-being;
3. **Customs Services**, which seeks to protect Canadian society and facilitate international trade and tourism with responsible customs management;
4. **Appeals**, which aims to provide clients with a fair redress and dispute resolution process; and
5. **Corporate Management and Direction**, which works to maximize our performance for all our clients through modern and progressive management in human resources, information technology, and financial and administrative policies and practices.

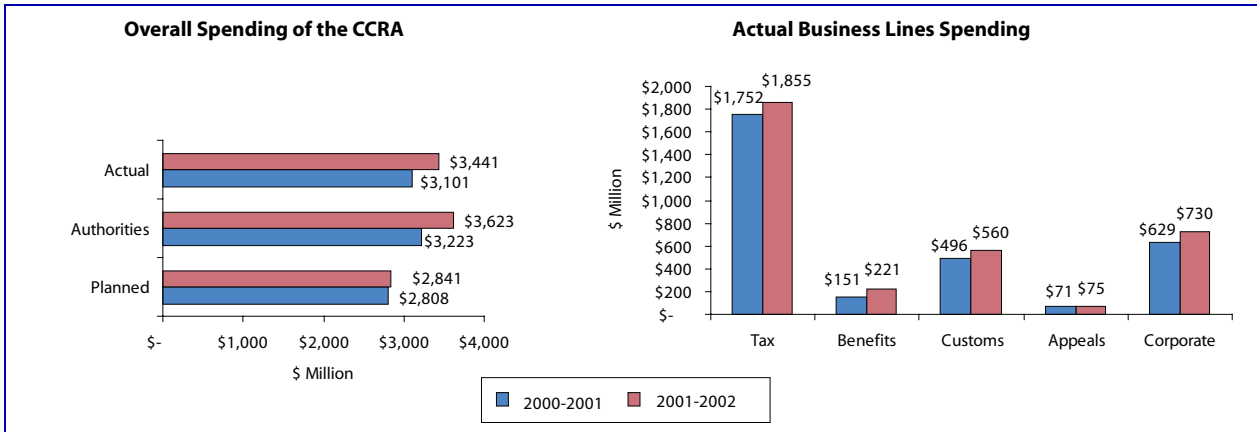
Business Line Spending

The CCRA's funding is provided by Parliament through annual appropriations. Each year, our mandate and level of service for core operations remain relatively unchanged; however, we receive additional in-year funding to deal with specific priorities. For example, the planned spending amount of \$2.8 billion shown in Exhibit 11 represents the original funding approved by Parliament for 2001-2002. As a result of the events of September 11, the public expected heightened security, and we received additional funding (\$62.8 million) to hire more customs officers and buy the technology they need to ensure the safety of Canadians. We also received funding for the legislative measures announced in the February 2000 Federal Budget and October 2000 Economic Statement and Budget Update (\$60.6 million); GST/HST Credit Responsiveness (\$14.5 million); and Resource and Management Review (\$225.3 million). These and other in-year approvals (details on [page 2-47](#) of the *CCRA Financial Statements*) increased our total authority for spending to \$3.6 billion in 2001-2002, of which we spent \$3.4 billion for our regular business line operations.

Of the \$3.4 billion spent in 2001-2002 (9.6% higher than last year's spending of \$3.1 billion), 54% was directed to the Tax Services business line, followed by Corporate Management and Direction at 21% (with almost 9% spent on information technology), Customs Services at 16%, Benefit Programs at 6% (4.5% for statutory programs and 1.5% for functional programs), and Appeals at 2%. Actual spending statistics ([Exhibit 11](#)) reveal that virtually all of the CCRA's budget was spent. Overall, 83.5% was spent on personnel costs and 12.1% on information technology.

Details of our performance against overall authorized spending for the CCRA as approved by Parliament are provided in Table 2 on page 51 of the *CCRA Financial Statements*.

Exhibit 11: Business Line Spending¹



The *CCRA Financial Statements* contain additional information, particularly the CCRA's audited financial statements prepared in accordance with accounting principles of the Government of Canada, both for agency-specific operations and for the activities we administer on behalf of federal, provincial, and territorial governments. The statistics in [Exhibit 11](#), supported by the Unaudited Supplementary Financial Information in the *CCRA Financial Statements*, are similar but not identical to the audited statements. To measure our performance against budgeted spending, we use authorized spending as approved by Parliament through the appropriations as our relevant benchmark. In accounting for our use of appropriations, we follow a modified cash basis that is different from that

1. Planned spending, allocation of authorities and actual spending are all net of re-spendable revenues (Revenues Credited to the Vote) and Relief for Heating Expenses.

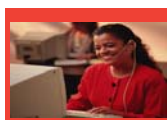


CCRA Performance Report

used for the audited financial statements. The modified cash basis recognizes expenditures incurred during the year. However, it does not include, for example, certain accrual accounting adjustments to reflect all the liabilities or services provided by other government departments that are included in the audited financial statements. A reconciliation of expenditures reported under these two financial reporting methodologies is shown on Table 9 on page 62 of the *CCRA Financial Statements*.

Main Points by Business Line

The following sections, entitled “Main Points”, provide summaries of our performance in each business line with respect to our two main performance themes: **managing the compliance continuum** and **innovating for the future**. The CCRA's approach to rating its performance against expected outcomes by business line uses both qualitative and quantitative indicators. Where we can, we use survey results, statistical sampling, and relevant business volumetrics. In some cases, we rely on estimates to get a rough, but useful, sense of a trend. Over time, these estimates provide an indication of how well the CCRA is performing in promoting compliance, within certain parameters. In other instances, 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. Accordingly, we have developed a performance improvement plan to address these deficiencies.



Tax Services: [page 1-38](#)



Benefits and Other Services: [page 1-60](#)



Customs Services: [page 1-70](#)



Appeals: [page 1-84](#)



Corporate Management and Direction: [page 1-98](#)

More details on our performance by business line are available on-line at www.ccra.gc.ca/annualreport.

Main Points – 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 and provincial 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.

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

We Have One 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

Performance by Business Line

Tax Services

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.

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.

High-Level Success Criteria

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

- we provide high-quality services that encourage and facilitate participation in the tax system;
- we process returns in a manner which 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; and
- the majority of Canadian individuals and businesses continue to participate in the tax system and meet their obligations.

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, 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 returns processing 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 (“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% corporate and self-employed income tax accounts deemed to be at substantial risk for non-compliance).

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 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.

This Year in Brief

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 pro-active 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.

Key Volumetrics

- \$297 billion in gross taxes and excise duties collected, including \$37.9 billion on behalf of provinces and territories
- 16.4 million public enquiries handled
- 22.8 million individual, 0.4 million trust, and 1.6 million corporate tax returns assessed; 78,629 charities returns processed
- 1.4 million employers, approximately 2.0 million business remitters for GST/HST (excluding Quebec) and several thousand remitters for excise duties and taxes
- 282,974 audits and 3,093 investigations completed
- Total resource budget of \$1.92 billion
- Approximately \$1.5 billion in Scientific Research and Experimental Development (SR&ED) tax credits handled

Logic Model

We have prepared a Tax Services logic model (see www.ccra.gc.ca/annualreport) 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 Agency's overall strategic outcomes. This logic model is the foundation of our performance report card which summarizes our performance against each anticipated result.

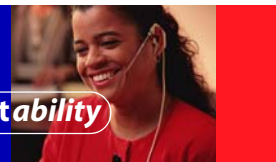
Contributions of Others

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.

Spending Profile

In 2001-2002, 53% (\$1.92 billion) of the Agency's overall budget was devoted to our Tax Services business line, against which we spent \$1.86 billion.

This past year was the first year that funding for the CCRA was stabilized in line with rising workloads of increasing complexity. In prior years, many of our review, audit, enforcement, and collection of unpaid taxes activities suffered from a funding gap.

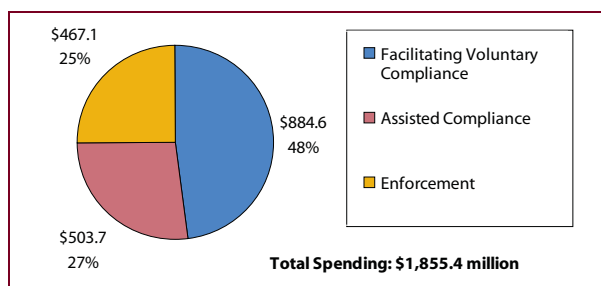


Performance by Business Line

Tax Services

As shown in [Exhibit 12](#), the largest share of the Tax Services resources (48%, a slight decrease from 51% last year) was spent on facilitating voluntary compliance activities (through various service channels such as telephone assistance, publications, outreach services, and processing of returns). The second largest share (27% compared to 28% last year) was spent on assisted compliance activities (reviews, examinations and audits) and the remaining (25% compared to 21% last year) was devoted to enforcement operations (e.g., collection actions, investigations and prosecutions).

Exhibit 12: Total Tax Services Resources Allocated to the Compliance Continuum for 2001-2002 (\$million)



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

Performance Highlights

The next section (beginning on [page 1-42](#)) presents a detailed report card for Tax Services. It summarizes our performance over the reporting period against our eleven anticipated results in support of our expected outcome—Canadians pay their fair share of taxes and the tax base is protected.

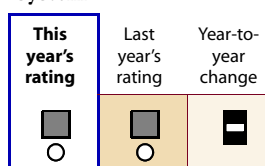
Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

1. Majority of Canadians and businesses participate in the tax system



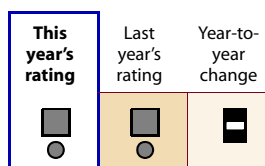
Current-Year Performance: Overall, we continue to collect the vast majority of federal revenues (95%) without any audit or collection activities. We make considerable efforts to provide quality service and outreach initiatives to promote participation in the tax system. Our efforts are supported by a strong legislative foundation, the co-operation of over a million employers who withhold and remit source deductions, and the collaboration of our federal, provincial, and territorial partners. Overall, tax compliance in Canada is reasonably high. Most Canadians over 18 years of age (over 90%) filed and paid their reported income taxes when they were due. Similarly, most taxable Canadian corporations (also over 90%) filed and paid their reported income taxes on time. In the case of GST/HST*, most known Canadian businesses registered as appropriate and filed their returns when they were due (Fig. 1-1 and Fig. 1-2).

Year-to-Year Change: Our most recent available estimates suggest that the high levels of filing and remittance compliance we reported in 2000-2001 were sustained. The percentage of taxable Canadian individuals and corporations that file and pay their reported taxes on time has remained high (over 90%), while registration for the GST/HST* has improved significantly, representing approximately 120,000 new registrants. Nearly 90% of these registrants filed their GST/HST* returns on time (89% in the previous year).

* GST/HST statistics exclude Quebec. Businesses residing within Quebec register with ministère du Revenu du Québec, which administers GST on behalf of the CCRA.

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).*

2. Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs



Overall

A. Providing Timely, Accessible, Reliable, and Responsive Service to Clients

Current-Year Performance: A fundamental aspect of client service is to inform taxpayers in a **timely** and effective way about changes in law in a manner that is **responsive** to their needs. Our telephone, electronic information, and publications provide **reliable** information services to help taxpayers to be informed and to understand their tax obligations. Over 900 of our tax-related publications (forms and guides) undergo rigorous and highly structured, time-sensitive annual review processes to ensure that all legislative changes are accurately incorporated in an 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 the taxpayers (67% last year) agreed that our guides and materials are clear and simple to understand. This is particularly pertinent because of the implementation of Tax on Income (TONI), which has been a massive undertaking for the CCRA over the past two years. Similar to last year, we successfully communicated and completed the full implementation of the TONI legislation for each of remaining seven provinces and territories (except Quebec).

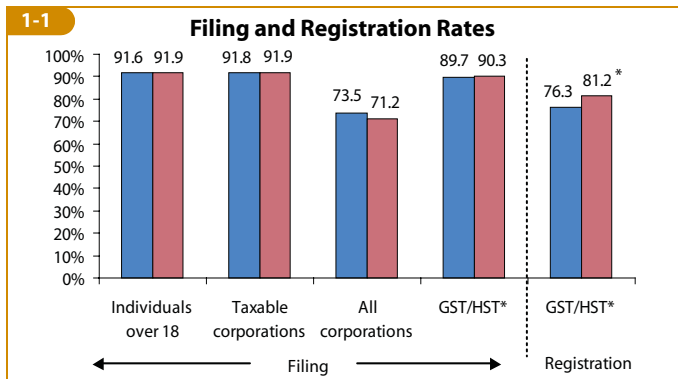
To improve **accessibility**, our strategy has been to reduce our clients' need to call by providing on-line and automated information services. Last year, the number of tax-related hits on our Web site almost doubled to 32 million, while the number of callers declined by about 4% (Fig. 2-1). Despite the modest decline in caller volume, the telephone remains the most popular way that clients seek our assistance. We met our 90% to 95% accessibility target (Fig. 2-2). Although this means that most callers were able to reach the queue for service, it does not imply that they were successful on their first attempt or that their calls, once in the queue, were answered in a timely manner. 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 re-dial services. Our timeliness in answering calls was somewhat below our internal performance standard of answering 80% of calls within two minutes of entering the queue.

(Continued on page 1-44)

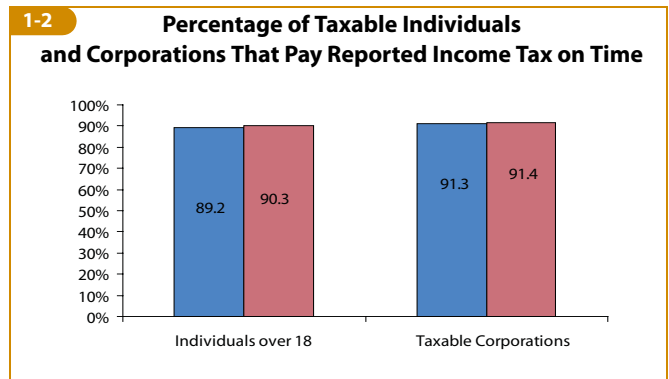
Performance by Business Line Tax Services

For further information on performance: www.cra.gc.ca/annualreport

Results highlights



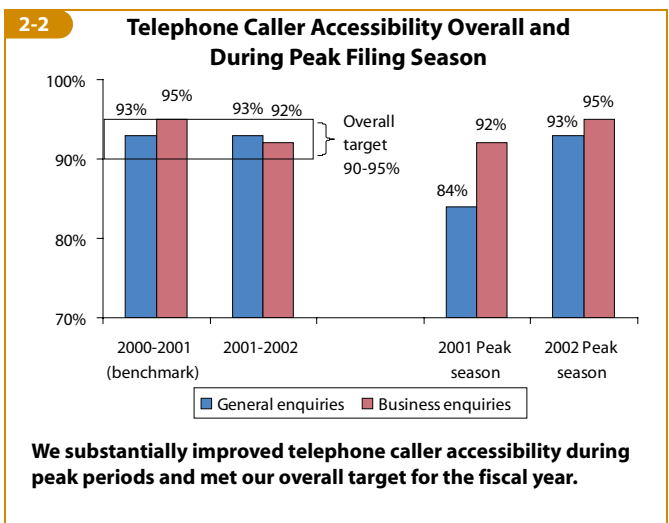
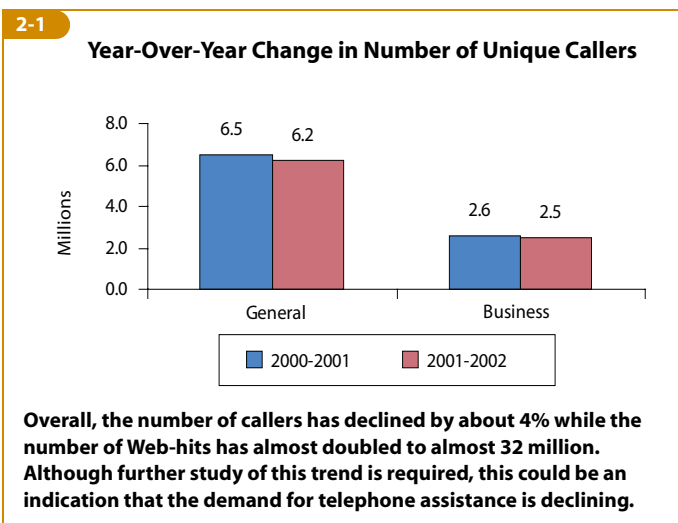
Once again, most Canadian individuals over 18 years of age and most taxable Canadian corporations filed and paid their reported income taxes on time. As well, over 80% of known Canadian businesses registered for the GST/HST* as appropriate—a high degree of registration compliance given that not all businesses are required to register—and over 90% of these registrants filed their returns on time.



Performance Drivers —

- Economic conditions
- Social norms and attitudes towards government and taxation
- Quality of taxpayer services
- Perceptions of effectiveness of tax enforcement

A. Providing Timely, Accessible, Reliable and Responsive Service to Clients



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

2. (Continued)
Taxpayers receive timely, accessible, reliable, and fair service that is responsive to their needs (for overall rating, see previous page)

A. Providing Timely, Accessible, Reliable and Responsive Service to Clients (Continued)

To evaluate our overall service performance, we use surveys, service standards, and internal performance standards. The estimated percentage of clients who agree that the CCRA is doing a good or very good job in the area of income taxation increased significantly from 71% to 74% between our 2000 and 2001 Annual Survey, which meets our success criterion for **responsiveness** to client needs.

Currently, our 27 service standards for tax services focus on **timeliness** and do not include all key delivery modes, such as telephone enquiry service. Although we did not meet a number of these service standards, we met or mostly met many of our most important ones, including T1 processing and GST/HST processing (Fig. 2-3 and "Schedule B – Overall Performance Against Service Standards" on page 1-133)

Year-to-Year Change: Estimates based on our Annual Survey indicate that the majority of taxpayers (69%) continue to find our guides and materials clear and simple to understand. We again successfully communicated and implemented major legislative changes within required timeframes. On balance we made modest progress, improving our performance against five of our service standards. However, our performance declined against four standards (Fig. 2-4). With respect to telephone enquiries, we substantially improved caller accessibility during peak season. The 4% decline in caller volume may be due in part to the expiration of certain one-time government initiatives in place during 2000-2001, or it may also indicate that our alternative electronic information services are beginning to reduce our clients' need to call. We will monitor trends over the next several years to better understand how these alternative services affect caller volumes. As well, our quality assurance program for evaluating the reliability of our telephone service indicates that agent accuracy is similar to last year.

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 caller volumes and increased take-up of alternative electronic information services.*

B. Ensuring Fairness

Current-Year Performance: The CCRA strives to collect the correct amount of tax—neither too much nor too little. As part of this effort, we refunded nearly \$58 million to some 216,000 individual filers who understated the amount of taxes prepaid through employers' withholding of source deductions. In support of fairness, we also cancelled or waived an estimated \$245 million in interest and penalties for extenuating circumstances such as financial hardship, as permissible under the law. We met our 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. Guided by the Appeals Program, we are considering options for a co-ordinated, agency-wide monitoring process and a more complete fairness registry. We also provided 307 rulings and 2,735 interpretations (written and by phone) for income tax and another 3,724 for GST/HST to clients, to provide them with greater certainty about the application of the tax laws. However, we did not meet our service standard for timeliness of processing applications under our rulings program.

Year-to-Year Change: Cancellations and waivers of interest and penalties increased by approximately 32% (from an estimated \$185 million to an estimated \$245 million—Fig. 2-5). The number of income tax rulings and interpretations remained virtually the same. Our timeliness in processing applications for advance rulings has declined since 2000-2001, largely as a result of the increased complexity of cases and the need to train newly hired personnel.

Success Criteria: *Service standards are met or exceeded, and commitments under last year's performance improvement plan are met.*



Anticipated results met



Rating is based on good data quality



Anticipated results mostly met



Rating is based on reasonable data quality



Anticipated results not met



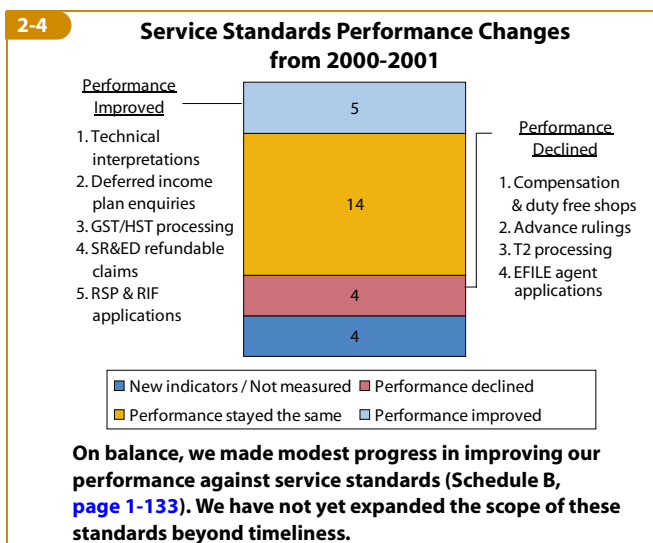
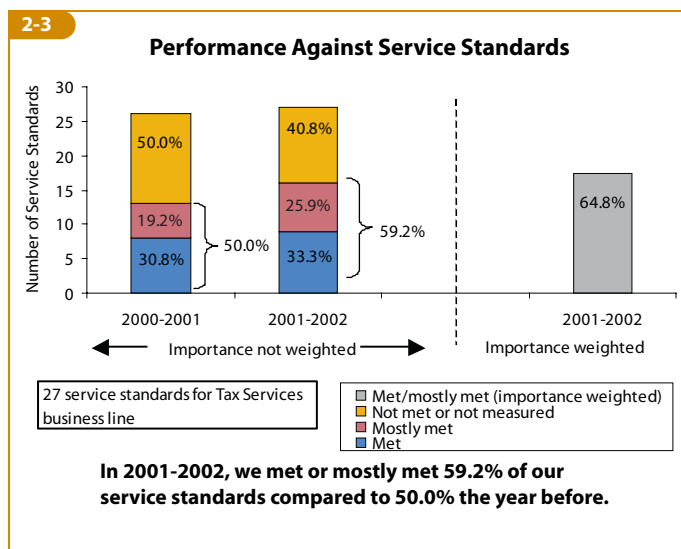
Rating is based on weak data quality

Performance by Business Line Tax Services

For further information on performance: www.cra.gc.ca/annualreport

Results highlights

A. Providing Timely, Accessible, Reliable and Responsive Service to Clients (Continued)



B. Ensuring Fairness

2-5 Fairness Indicators

- \$58 million in **beneficial adjustments** granted in favour of approximately 216,000 individual taxpayers who erroneously understated the amount of source deductions withheld by employers. Beneficial adjustments will be expanded to include other types of taxpayer errors, after full implementation of the Matching Redesign Initiative in 2004-2005.
- An estimated \$245 million in **penalties and interest were cancelled or waived** for 1.9 million taxpayers, for legislatively sanctioned extenuating circumstances. Up from an estimated \$185 million in 2000-2001, this is an increase of about \$60 million.
- As a first step in implementing a systematic fairness monitoring program nationwide, we initiated a review of the **fairness registry** (for tracking requests and decisions relating to cancellations of interest and penalty assessments).
- 6,766 income tax and GST/HST **rulings and interpretations** to clients to provide them with greater certainty about the application of the tax laws.

Performance Drivers —

- New federal/provincial/territorial legislative changes
- Complexity of legislated changes
- Demographic shifts/Immigration policy
- Client expectations of service delivery



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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




Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

3. Processing of returns is accurate, timely, and efficient

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: We met or mostly met our service standards for processing timeliness in all but two major tax return categories (T2 corporation and T3 trust returns—Figs. 3-3 and 3-4), while maintaining a high degree of accuracy. In the case of individual T1 returns, our performance exceeded our standards. We processed 13.9 million paper returns in an average of less than four weeks and 8.9 million electronic returns in an average of less than two weeks. Our annual survey indicates that 85% of taxpayers were either somewhat or very satisfied with the time it took to receive their notice of assessment or refund.

In the corporate returns area, we experienced unanticipated problems with the introduction of our new corporate processing system. As a result, we faced a considerable challenge this year in addressing a substantial backlog of unassessed T2 returns from 2000-2001. We successfully met this 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 (Fig. 3-2). With much of our resources devoted to clearing the backlog, we were unable to meet our revised standard for T2 processing this year (Fig. 3-3). However, we have laid the foundation for timelier processing. Indeed, processing times had already improved sharply by year-end although we still could not meet our service standard. After a full year of experience, and considering the complexity of the workload, we have reassessed the service standard for the new system, which was set before its implementation. This revised standard is to process 75% of returns in 50 days and to process 90% in 90 days.

An important part of our processing strategy is to increase participation in electronic filing by individual taxpayers, and to expand electronic filing options for our other tax lines. Not only does electronic filing eliminate many of the costs and errors associated with the processing of paper returns, it also dramatically improves the speed with which returns can be processed. While we recognize that the take-up rates for our electronic services are dependent on the quality of our offerings and people's attitudes toward Internet transactions, we are building the capability to process 75% of T1 tax returns electronically in the next few years.

Year-to-Year Change: We exceeded last year's performance by processing 99.8% of all T1 returns that were filed on time by mid-June. Our timeliness in processing GST/HST returns also improved from 2000-2001 and is now close to our service standard (Fig. 3-4). Our timeliness for processing T3 trust returns declined to 46%, compared to 62% last year (Fig. 3-4). We are making several system enhancements to the T3 trust returns processing system to streamline the process, which will improve processing times in subsequent years. Electronic filing continued to increase in popularity this year, with 39% of all 2001 T1 returns being filed electronically, compared to our revised figure of 35.6% for the year before (Fig. 3-1).

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.



Anticipated results met
Rating is based on good data quality



Anticipated results mostly met
Rating is based on reasonable data quality



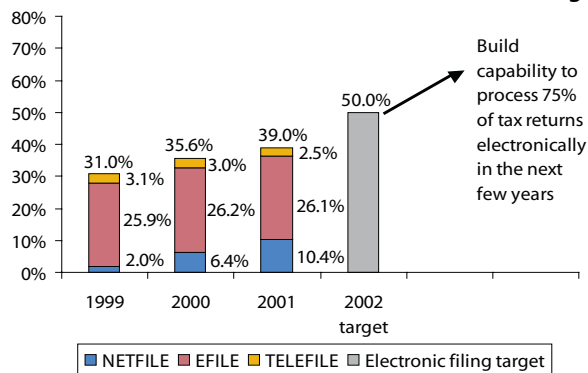
Anticipated results not met
Rating is based on weak data quality

Performance by Business Line Tax Services

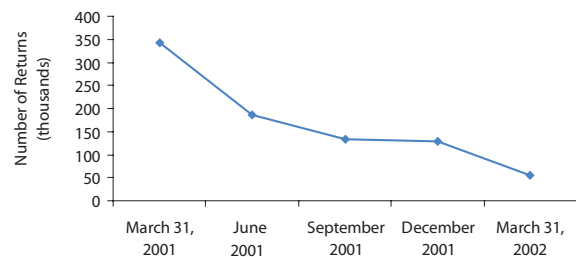
For further information on performance: www.cra.gc.ca/annualreport

Results highlights

3-1 T1 Returns – Trend in Electronic Methods of Filing

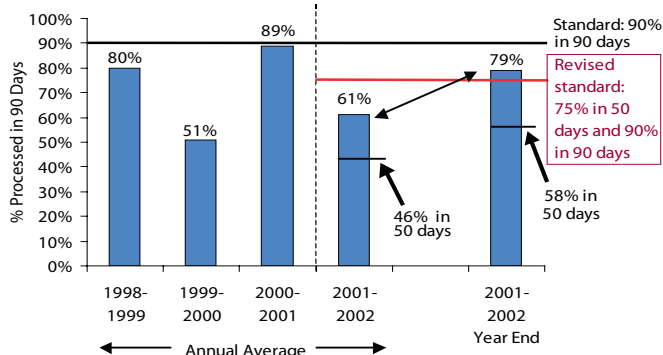


3-2 T2 Tax Returns – Trend Through 2001-2002

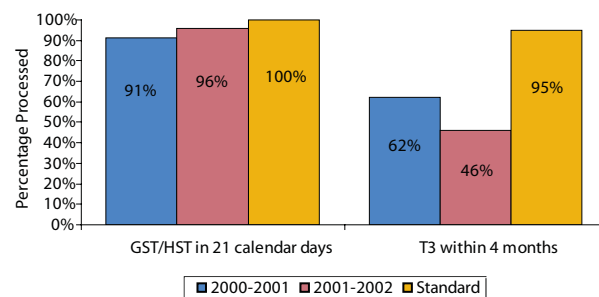


We dramatically reduced the backlog of T2 inventory from 342,061 returns at March 31, 2001, to 55,616 returns at the end of March 2002.

3-3 T2 Return Processing – Performance Against Service Standard(s)



3-4 T3 and GST/HST Processing Times vs. Service Standards



Our timeliness of GST/HST processing improved and is now close to our service standard. However, our T3 performance declined and remains well below our service standard.

Performance Drivers —

- Legislative Changes
- Size and composition of taxpayer population
- Emerging technologies
- Electronic filing participation



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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




Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

4. Level of tax debt is within targeted level

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: The primary role of our accounts receivable program is to ensure that taxes that have been assessed and collectables are actually paid in a timely manner. The collection of outstanding accounts receivable is an important and integral part of the CCRA's compliance continuum. Our objective is to prevent further escalation in receivables and to maintain our receivables in line with gross revenues. The CCRA has obtained additional resources from Parliament and is implementing various strategies to address increases in the annual intake and aging of accounts receivable.

At the end of March 2002 the level of accounts receivable was about \$16 billion compared to \$13.9 billion the year before (Fig. 4-2). We succeeded, through additional resources and enhanced program delivery, in limiting the rate of growth of accounts receivable to a level that would otherwise have been higher. Our key accomplishments in 2001-2002 included significantly exceeding our cash collection commitment to the Government of Canada of \$7.8 billion by \$1.0 billion (Fig. 4-1), and achieving improvements in the aging of our accounts receivables handled by tax services offices (TSOs), which represents about 75% of overall receivables and comprise those accounts that are more difficult to collect. 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 (Fig. 4-4).

Our most significant challenge resides in reducing the gap between our production (resolving accounts through cash collections, write-offs of accounts that we could not collect, or other adjustments) and the steady increase in intake of new debt every year. While our annual performance with respect to cash collected continues to improve, we were not able to keep pace with intake and the ratio of outstanding receivables to gross revenues continues to deteriorate—growing from 4.7% the previous year to 5.3% this year. The Agency does not use this ratio as a performance target, but it is nevertheless a meaningful trend indicator of global performance of the accounts receivable program. We have also launched a major initiative aimed at improving and modernizing our program delivery systems, approaches, and mechanisms, such as nationalizing the collections workload, to improve performance and cope with ever-increasing workloads.

The CCRA uses a variety of performance indicators other than the above ratio for managing its receivables program. These include aging, cash collected, production to intake, write-offs, cost to resolve \$1,000, and production per full-time equivalent. The federal government's transition to reporting revenues on an accrual basis rather than a cash basis will result in adjustments to reflect the realizable value of our receivables. It will also affect the calculation of the ratio of outstanding receivables to gross revenues.

Year-to-Year Change: While our production has increased substantially year-over-year (Fig. 4-3), it still has not kept pace with the rising intake. The cost to resolve \$1,000 decreased from \$18 to \$17 as a result of increased productivity among collections agents. Overall recoveries increased as a percentage of gross revenue from 2.7% to 3.3%. At the same time, about \$1.0 billion in bad debts were written off as in the prior year. On balance, we believe that we exceeded our performance over the previous year due largely to our strong performance in cash collections.

Success Criteria: *Cash collections meet or exceed government expectations for additional funding.*

Reduction in the age of accounts receivable handled by the TSOs.

Dollar value of production meets or exceeds intake of new debt.

Stability in the ratio of outstanding receivables to gross revenues (preventing further deterioration).



Anticipated results met
Rating is based on good data quality



Anticipated results mostly met
Rating is based on reasonable data quality



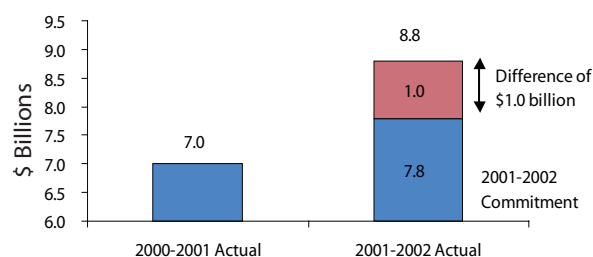
Anticipated results not met
Rating is based on weak data quality

Performance by Business Line Tax Services

For further information on performance: www.ccra.gc.ca/annualreport

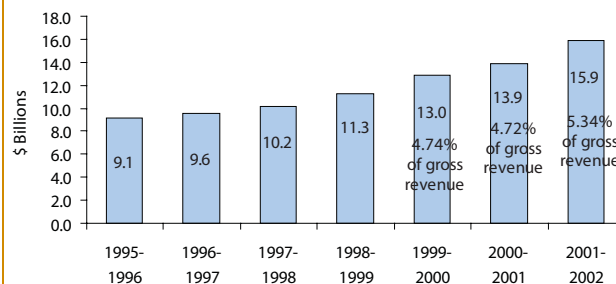
Results highlights

4-1 Tax Services Offices Cash Collections (\$billions)



With the additional funding resources (some 420 full time equivalent staff) we exceeded our performance from the prior year by \$1.9 billion and surpassed our cash collections commitment by over \$1.0 billion.

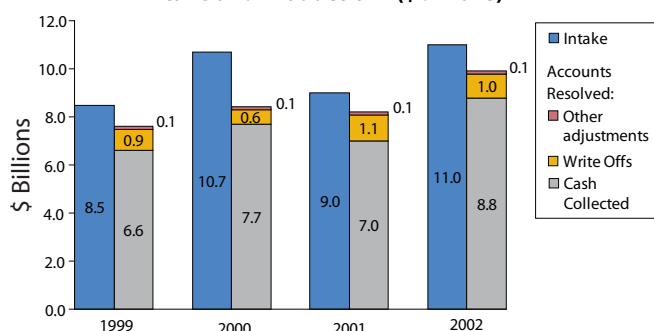
4-2 Trend in Accounts Receivable (\$billions)*



* Accounts receivable as a percentage of gross revenue numbers for previous years restated as per Public Accounts.

The level of accounts receivable has consistently increased despite our improved production. When taken as a percentage of gross revenue, it has increased from 4.74% and 4.72% in recent years, to 5.34% in 2001-2002.

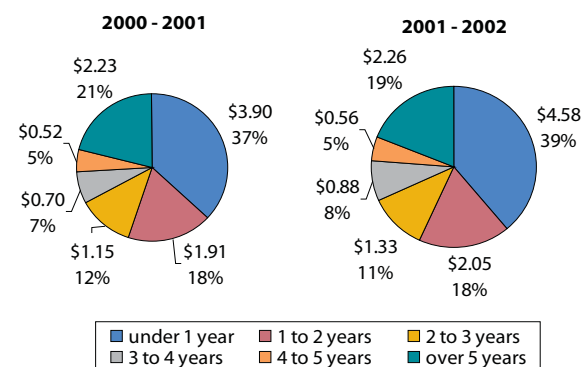
4-3 Tax Services Offices Collection Activity – Intake and Production* (\$billions)



Despite the substantial increase in cash collections (Fig. 4-1), the intake of new debt continued to surpass our production on existing unpaid accounts. This was due, in part, to the clearing of an unusually large corporate tax return inventory from 2000-2001 and in part to more effective enforcement of filing requirements by the Non-filer/Non-Registrant Program. The continuing gap between intake and production contributes to the rising trend in accounts receivable.

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

4-4 Tax Services Offices* Aging of Accounts Receivable (\$billions)



The percentage of the value of accounts receivable inventory (at TSOs) over five years of age declined by 2 percentage points and the percentage of the value of accounts less than one year old increased by the same amount. Additional funding over the next three years will be devoted to further addressing our older inventory.

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

Performance Drivers —

- Economic conditions
- Social norms and attitudes towards government and taxation
- Availability of skilled resources



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

5. Compliance behaviour is understood with a view to minimizing areas of non-compliance

This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: Measuring non-compliance risks and understanding their underlying causes is an extremely challenging but important task for revenue agencies worldwide. To advance our understanding of compliance risks, we have initiated a new framework for measuring compliance. The framework, which is based on establishing a comprehensive basket of compliance indicators (Fig. 5-1), will provide a structured approach to assessing compliance risks. Our experience suggests that non-compliance is most prevalent in our business tax lines. Our national risk assessment system provides broad estimates of the percentage of client accounts with a substantive risk of non-compliance within these lines (Fig. 5-2). The results from our random validation programs for individual income tax returns indicate a relatively high overall rate of compliance (92.8%) on the key deduction and credit items subject to review. Our T1 matching program also indicates that compliance is high with respect to income and deduction items (e.g., wages and salaries) that are subject to third-party information reporting. 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.

Year-to-Year Change: We anticipate that the initial framework we have developed for measuring compliance in a more systematic and comprehensive way will make a substantive contribution to our understanding of compliance and our capacity to assess compliance risks. We have developed a proposed action plan for the implementation of our new framework beginning in 2002-2003. Nonetheless, the estimated percentages of business accounts with a substantive risk of non-compliance have changed very little relative to our benchmark figures for 2000-2001 (Fig. 5-2). The overall rate of non-compliance on individual income tax items covered under the random sampling portion of our T1 validation program has also remained stable in recent years.

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

6. Allocation of compliance and enforcement resources is guided by risk

This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: The CCRA aims to target the largest share of its review and enforcement activities on areas of high risk (Fig. 6-2), a strategy designed to make the tax system more equitable, recover more revenue, and impose a smaller burden on compliant taxpayers. Within individual types of review and enforcement activities designed to address key compliance issues, we believe that our targeting efforts are largely effective. Our analysis of the CCRA's information matching, validation, and audit programs indicates that these programs are generally effective at targeting higher-risk returns for verification and enforcement. For example, the individual income tax returns targeted for verification of selected deduction and credit items under our Processing Review Program show a much higher average assessment and rate of adjustment than those selected at random (Fig. 6-1). Our audit programs are supported by sound computerized risk assessment systems. We still need to improve our capacity to effectively allocate resources across the spectrum of our review and enforcement activities according to risk. To improve compliance resource allocation efforts, we are continuing to enhance systems, such as the Compliance Measurement, Profiling, and Assessment System (COMPASS) which allows us to analyze many compliance risks by industry sector, geographic area, and other statistical and demographic breakdowns.

Year-to-Year Change: Through renewed efforts in securing corporate returns and improved targeting of non-filers and non-registrants, we have substantially increased (16.5%) the combined number of new GST/HST registrations and income tax filers—from 555,739 in 2000-2001 to 647,170 in 2001-2002 (Fig. 6-3). Our targeting under our validation programs has remained effective (Fig. 6-1).

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.



Anticipated results met
Rating is based on good data quality



Anticipated results mostly met
Rating is based on reasonable data quality



Anticipated results not met
Rating is based on weak data quality

Performance by Business Line Tax Services

For further information on performance: www.ccra.gc.ca/annualreport

Results highlights

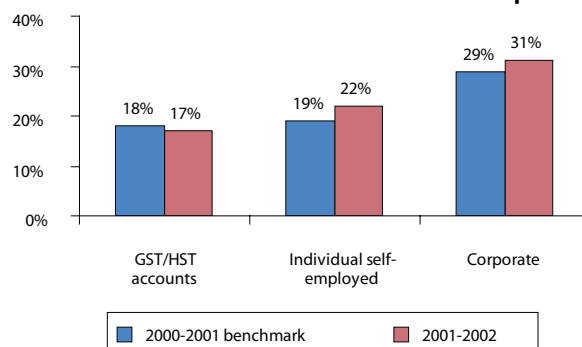
5-1

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 their 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.

5-2

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



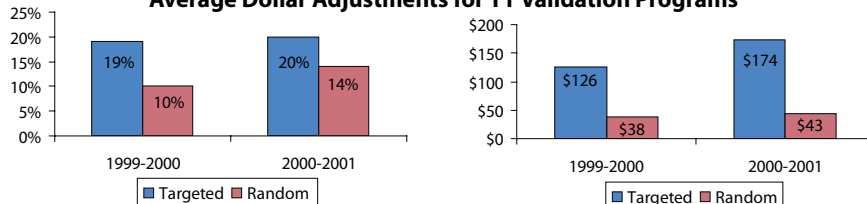
The risk of non-compliance tends to be relatively high for business returns, but the risk is relatively unchanged from our 2000-2001 benchmark.

Performance Drivers —

- Changes in compliance environment
- Third party information sources
- Public opinion on tax compliance and enforcement

6-1

Targeted vs. Random Adjustment Rate and Average Dollar Adjustments for T1 Validation Programs



Targeting under our validation programs remains effective. Targeted returns continue to show higher adjustment rates and average dollar adjustment amounts compared to random returns.

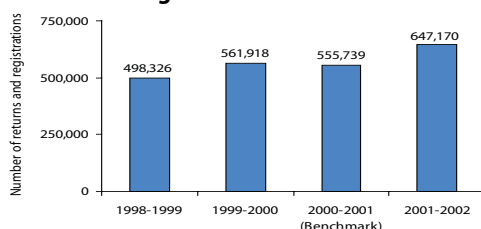
6-2

Risk Allocation in Audit and Enforcement Programs

- Returns flagged as high risk by our national risk assessment system are much more likely to be audited than those flagged as low risk.
- Audit results indicate that returns flagged as high risk have a much higher incidence of material adjustments and larger average adjustments than those flagged as low risk.
- Improvements in our targeting of tax non-filers and GST non-registrants have contributed to a substantial increase in the number of tax returns and GST/HST registrations secured.
- We conducted more investigations of proceeds of crime cases and made more referrals to the Department of Justice for criminal prosecutions than in the prior year.

6-3

Non-filer/Non-registrant – Number of Returns and Registrations



We have improved our ability to secure returns and registrations through the Non-filer/Non-registrant program.

Performance Drivers —

- Compliance trends and patterns
- Quality of risk assessment systems
- Experience of audit and review staff



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

7. **Actively seek legislative changes as required to enhance simplification, minimize misreporting and unintentional non-compliance**

This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: We work closely with the departments of Finance and Justice to ensure that proper legislative authority exists to realize the Government's objectives for fairness in the tax system and the promotion of voluntary compliance. This 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. In our judgement, we met this expectation through participation in several new legislative initiatives that led to making and implementing recommendations for legislative change (Fig. 7-1).

Year-to-Year Change: In 2001-2002, we participated 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, the transfer of assets of managed woodlots, charitable donations of publicly traded securities, GST/HST credit responsiveness, qualified limited partnerships, temporary construction work camps, and the deferral of corporation tax instalments for small business, among others. 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. The CCRA was a key participant in the government's response to September 11 events by helping 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.

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.*

8. **The right programs are used and are effectively delivered**

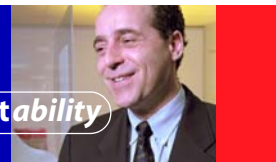
This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: In our judgement, in addition to providing quality services, we are delivering an appropriate mix of programs to protect the tax base, while still promoting voluntary compliance by taxpayers (Fig. 8-2). 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. As well, our criminal investigations program, which refers the most flagrant cases of non-compliance such as fraud and underground economy for prosecution, continues to be effective—351 customs and tax investigations referred for prosecution vs. 312 the year before.

To ensure responsible enforcement, we have mechanisms that promote transparency in what we do and inform our clients of the breadth of our activities. Examples of key levers that support the fair and equitable treatment of taxpayers include audit protocol agreements for large corporations where we have continued audit presence and outreach for underground economy and Scientific Research and Experimental Development (SR&ED) tax credit. Protocol agreements are in place between the CCRA and approximately 30% of all large corporations (including subsidiaries), helping to ensure co-operation, openness, and flexibility in the audit process. We expanded our outreach initiatives to improve compliance within the underground economy and to inform non-residents and potential immigrants of their tax obligations and entitlements. We delivered \$1.5 billion in credits under the SR&ED programs—the largest federally supported incentive program for research and development in Canada.

Year-to-Year Change: Our audit protocol agreement program continues to grow (Fig. 8-2). Review of possible tax avoidance issues in audits of large corporations has increased from 28% to 59% in 2001-2002. We have reorganized our operations to enhance the consistency and predictability of SR&ED program delivery. While we have made some progress in the timeliness of SR&ED delivery, we need to make further progress against our service standards ("[Schedule B – Overall Performance Against Service Standards](#)" on page 1-133).

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



Performance by Business Line Tax Services

For further information on performance: www.ccra.gc.ca/annualreport

Results highlights

7-1

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*

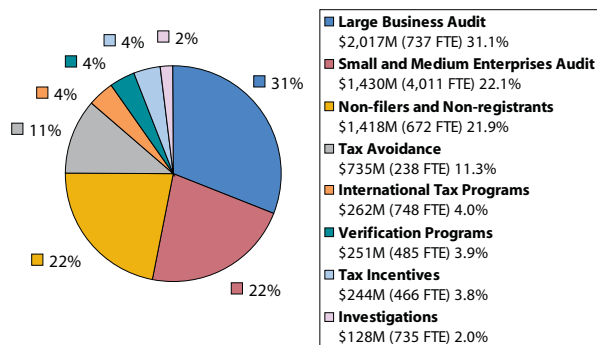
Performance Drivers —

- Number and frequency of legislative changes (federal, provincial, and territorial)
- Clarity of presentation of legislation
- Access to and knowledge of emerging issues

8-1

Tax Compliance Activities – 2001-2002

Total Fiscal Impact of \$6.5 billion



Total gross fiscal impact includes federal and provincial tax (participating provinces only), federal tax refunds or interest and penalties reduced, and present value of future tax assessable where appropriate. Our net fiscal impact after appeals (16%) and collection actions (6%) is approximately \$5 billion.

8-2

Results of Key Compliance Initiatives

- Underground economy outreach expanded: 92 community visits vs. 62 the year before; 9,853 businesses contacted vs. 8,527 the year before; 84 wharf visits in Atlantic Canada (new for this year).
- Audit protocol agreements with large corporations, including subsidiaries, increased to 206 (30% take-up) from 180 the year before.
- Enhancements to programs for the detection and prosecution of fraud – 351 customs and tax investigations referred for prosecution vs. 312 the year before.
- Enforcement efforts under our Contract Payment Reporting Initiative were redirected in response to lower than anticipated revenue.
- Improving the delivery of key tax credits – SR&ED program handled approximately \$1.5 billion in tax credits based on about 11,000 claims.
- Enhanced audit screening for charitable organizations.

Performance Drivers —

- Composition of client population
- Compliance research
- Globalization and electronic commerce
- Level of compliance resources



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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




Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

9. Sufficient resources are available to invest in compliance programs

This year's rating	Last year's rating	Year-to-year change
		




Current-Year Performance: To encourage voluntary compliance and maintain the confidence of Canadians that the tax system is equitable and that more serious cases of non-compliance are being addressed, it is essential to maintain an adequate level of audit coverage within each of our major tax programs. Following an independent review of declining audit coverage rates in recent years, which included an assessment of our projections of the fiscal impact of increased audit resources, we received additional funding from the Government of Canada to invest in our compliance programs. Although we are unable to precisely measure our audit coverage rates, our best available estimates indicate that we were able to meet our current target rate for audits of large corporations and nearly meet our target rate for T2 basic files. However, our coverage for small and medium corporate, individual, and GST/HST files was below target according to our estimates. This was due in large part to challenges in hiring and training close to 900 additional auditors, which took longer than anticipated. Although our estimates indicate that we did not meet all of our audit coverage targets, the fiscal impact of our programs (\$6.5 billion) exceeded the commitment (\$6.2 billion) we made to the Government of Canada in relation to the new funding. 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.

Year-to-Year Change: With the aid of additional funding, we have succeeded in ramping up the resources needed to reverse the declining trend in audit coverage over recent years. The fiscal impact of our compliance programs has improved from \$6 billion in 2001 to \$6.5 billion. Although, in general, our audit coverage rates in 2001-2002 are similar to those in 2000-2001, our investments in hiring and training new audit staff position us well to meet our audit coverage (Fig. 9-1 and Fig. 9-2) and fiscal impact commitments for 2002-2003 through 2004-2005.

Success Criteria: *Audit coverage rates meet or exceed target levels.*

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

10. Knowledgeable and skilled workforce is in the right place at the right time

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: The Tax Services business line has about 27,600 full-time equivalent (FTE) staff members. The CCRA undertook several initiatives to attract, train, and retain auditors, economists, and other personnel to ensure that a strong, capable workforce is in place within the organization. With the approval of additional resources received mid-way during the year, much of our effort was focused on recruiting auditors for our compliance programs. We experienced some delays in our recruitment efforts for a number of different reasons, including accommodation and security clearance issues following September 11. However, by the end of the fiscal year, we met this year's targets for hiring approximately 900 auditors for compliance programs. In addition, with our Future Directions initiative, our most ambitious review of our delivery services, 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. To keep pace, our investment in training and learning for our existing employees will require more attention over the coming years. Our annual survey indicates that an estimated 85% of Canadians who have had contact with Tax Services agree that the staff are knowledgeable and competent.

Year-to-Year Change: As part of our multi-year hiring objective in the compliance area, we were successful in meeting our 2001-2002 target of hiring some 900 additional audit staff by the end of the year, which, as a result for this year, only had a marginal impact on our FTE count. In addition, we carried out substantive training activities to prepare our compliance staff to meet our audit coverage targets for the coming years, and developed learning products and plans to accelerate the time it takes for new human resources to become fully productive. Across all of our functions the number of Tax Services staff has remained virtually constant (Fig. 10-1). Recruitment efforts will continue to address staffing needs in all areas, particularly audit and collection staff required to meet the future multi-year hiring targets associated with the new funding.

Success Criteria: *Successful competition with the private sector for highly qualified staff; continuous improvement of existing training programs.*



Anticipated results met



Rating is based on good data quality



Anticipated results mostly met



Rating is based on reasonable data quality



Anticipated results not met



Rating is based on weak data quality

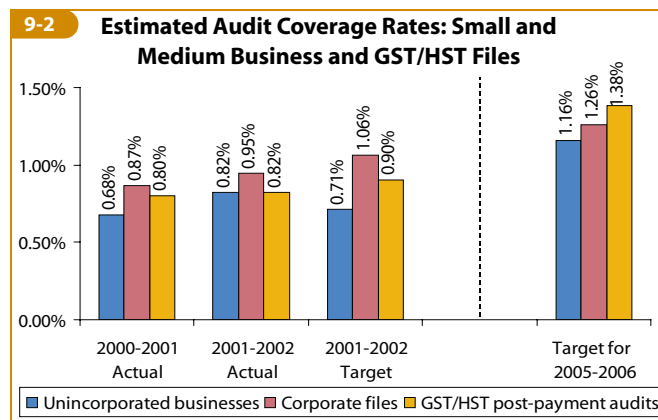
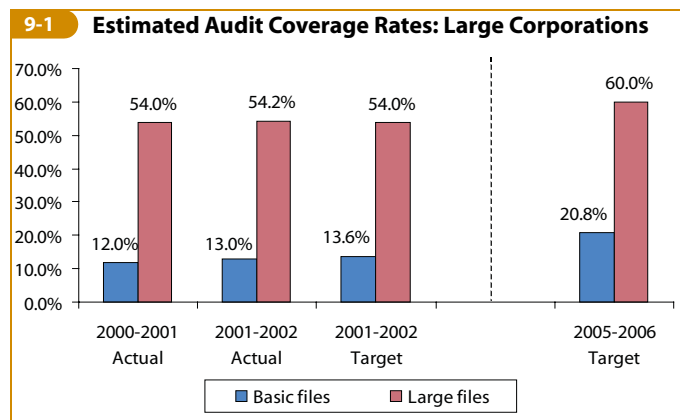


Performance by Business Line

Tax Services

For further information on performance: www.cra.gc.ca/annualreport

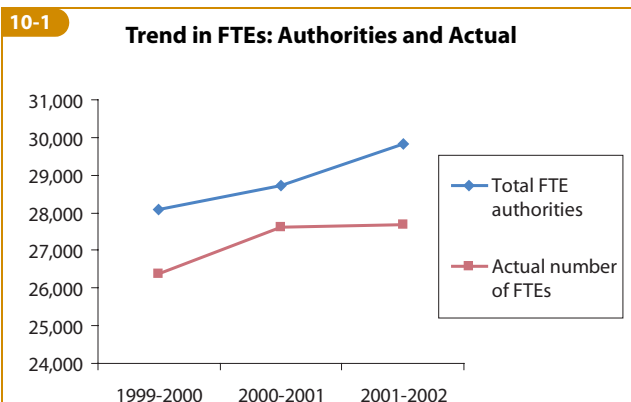
Results highlights



We are unable to precisely measure our audit coverage levels. However, our best available estimates indicate that we were not able to meet some of our coverage targets. We plan to raise coverage rates further over the next three years to encourage voluntary compliance and to help ensure that all taxpayers pay their fair share.

Performance Drivers —

- Level of compliance
- Globalization of economy
- Experience of compliance staff



The actual number of FTEs fell short of the total authorities. This was due in part to the timing of additional funding and delays in hiring compliance staff.

Performance Drivers —

- Workload increases and funding availability
- Competition with private sector for human resources
- Training



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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







Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

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

This year's rating (Year 2 of 5)	Last year's rating	Year-to-year change
 	 	 

Current-Year Performance (Year 2 of 5): Extensive consultations with client groups via our Future Directions initiative have confirmed 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 (Fig. 11-1), and a substantial share of our clients are taking advantage of these services.

Besides the Internet, we have continued to explore the use of telephony technology. We are looking at innovations such as allowing business clients to file nil payroll reports and GST/HST returns over the telephone.

Other innovations include changes to business practices, such as 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 GST/HST Redesign and the Other Levies Project, both of which incorporate the standardized accounting platform and T1 Matching Redesign, are proceeding as planned.

Through the *Excise Act, 2001*, scheduled for implementation in 2002-2003, we will be able to provide a more modern and efficient framework for administering and enforcing the taxation of alcohol and tobacco products.

Year-to-Year Change: We successfully met our key program commitments for innovation earmarked for 2001-2002. Under the Future Directions Initiative, we made solid progress in developing an integrated service vision across agency business lines.

Success Criteria: *Delivery on commitments as stated in the CCRA Corporate Business Plan.*



Performance by Business Line Tax Services

For further information on performance: www.cra.gc.ca/annualreport

Results highlights

11-1

Transformation Initiatives

- Canadians can view and modify their address information on the Internet.
- Question and answer sessions are available on the Internet 24 hours a day, 7 days a week.
- Eligible businesses will be able to file certain types of GST/HST returns over the Internet.
- Individual clients may pre-authorize the debiting of their accounts for instalment or arrears payments.

Performance Drivers —

- Convenience, security, and accessibility of electronic service delivery
- Clear communication of a vision
- Continuous improvement measures



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

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?
A comprehensive strategy to reduce the balance of accounts receivable including a review of the current performance target	2001-2002	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 number of accounts more than five years old.	☑	Yes See item 1 below
Increased audit coverage to levels comparable to those achieved in recent years Increased resource allocations to achieve integrated compliance risk management across programs	2001-2006	With additional resources provided by the Government, nearly 900 new audit staff have already been hired and trained. It will take a few years to realize the full impact of this investment.	☑	Yes See item 2 below
System changes to further improve assessment processes for T2 corporation returns	2001-2002	Inventories reduced to acceptable levels; service standards for processing timelines revised in light of recent program experience.	✗	Yes See item 3 below
Improved performance against existing service standards, and communication of service standards for telephone services adapted from existing internal performance targets	2001-2004	Developed new service standards and related targets for SR&ED, Registered Pension Plans, and Registered Education Saving Plans. Effective 2003-2004, we expect to establish service standards for telephone services.	☑	Yes See item 6 below
Implementing 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 1-106). We are now back on track in 2002-2003.	✗	Yes See item 6 below
Considering options for instituting a systematic monitoring process to confirm consistency of decisions taken at local tax services offices for the cancellation and waiving of interest and penalties	2001-2002	Fairness registry reviewed as a first step towards implementing systematic nationwide monitoring system.	✗	Yes See item 7 below
Improved measurement and reporting of overall compliance, particularly for certain categories of tax	2001-2002	Developed an initial comprehensive compliance measurement framework and a proposed action plan for implementation beginning in 2002-2003.	☑	Yes See item 8 below

✓ On track

☑ Mostly on track

✗ Not on track

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

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 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 2A).
7. Fully implement a systematic, nationwide fairness monitoring program (Anticipated Result 2B).
8. Finalize the framework for measuring compliance and develop appropriate indicators (Anticipated Result 5).
9. Implement *Excise Act, 2001* (Anticipated Result 11).
10. Continue participation in International e-compliance and e-service committees to clarify existing policies and practices in an e-commerce world (Anticipated Result 8).

Main Points – *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. We administer four federal programs: the Canada Child Tax Benefit (CCTB), the goods and services tax/harmonized sales tax (GST/HST) credit, Children's Special Allowances, and the disability tax credit. In addition, we leverage our federal delivery infrastructure to administer a range of ongoing benefits and one-time payment programs on behalf of the provinces and territories. In all, we issue over \$11 billion in tax-free benefit payments to over 10 million low- and moderate-income Canadians.

Other services in this business line include issuing rulings for the Canada Pension Plan (CPP) and Employment Insurance (EI) programs, administering the Refund Set-Off program, supplying information to federal, provincial, and

territorial partners to support the delivery of their programs, and administering sales taxes for First Nations. We also account to jurisdictions for our efforts on their behalf.

We Have Two 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 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.

Performance by Business Line Benefit Programs and Other Services

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.

High-level Success Criteria

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

- 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.

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.

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% target range. We also improved accessibility for GST/HST credit callers to 71%, although this remains below the 80-85% target range. 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, our studies show that we processed 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 target of 98%, additional impetus to improve performance for this workload will be provided as the timeliness target 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 roles and identify areas of non-compliance. To this end, we reviewed 168,600 benefit accounts and adjusted benefit levels and other client information in 31.6% of cases. Our efforts to improve our targeting of higher risk accounts is on-going, and we are continuing our work to develop appropriate benchmarks against which to assess our performance in our validation programs. Overall, 75% of GST/HST credit recipients and 78% of CCTB recipients that responded to our Annual Survey felt that the CCRA was doing a good or very good job 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.

This Year in Brief

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.

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
- 10.3 million telephone enquiries handled
- approximately \$365 million with respect to over 430,000 severely disabled individuals under the Disability Tax Credit program
- over 73,000 CPP/EI rulings issued
- \$160 million in Nova Scotia Worker's 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)

Logic Model

We have prepared a Benefit Programs and Other Services logic model (see www.cra.gc.ca/annualreport) 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 Agency's overall strategic outcomes. This logic model is the foundation of our performance report card, which summarizes our performance against each anticipated result.

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.

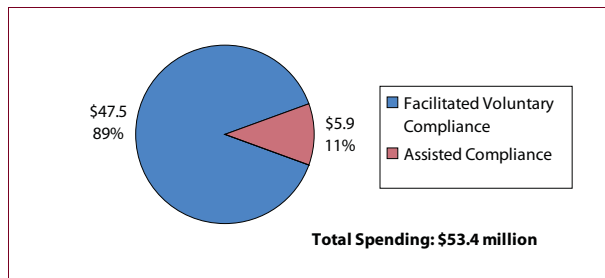
Spending Profile

In 2001-2002, 6% of the Agency's overall budget was devoted to our 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 in [Exhibit 13](#).



Performance by Business Line Benefit Programs and Other Services

**Exhibit 13: Total Benefit Program
Administration Resources
Allocated to the Compliance
Continuum for 2001-2002
(\$million)**



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

Performance Highlights

The next section (beginning on [page 1-64](#)) presents a detailed report card for Benefit Programs and Other Services. It summarizes our performance over the reporting period against our three anticipated results in support of 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.




Performance Highlights Against Anticipated Results

Expected outcome:

Canadians receive their rightful share of entitlements

Anticipated results

1. Program communication and delivery is fair and responsive to recipients' needs

This year's rating	Last year's rating	Year-to-year change
		




Current-Year Performance: We use a variety of communications tools to reach potential benefit recipients, as well as to inform new and existing clients about their entitlements and how to access benefits (Fig. 1-3). Our Annual Survey indicates that an estimated three-quarters of CCTB and GST/HST credit recipients believe the CCRA is doing a good or very good job administering these programs (Fig. 1-1). Our service strategy is to reduce our clients' need to call. To this end, we offer alternative channels of service delivery. This year, we launched two significant on-line services, which allow clients to estimate their monthly benefits and change their address. While the number of visits to our Child and Family Benefits Web page increased by over 25% to 314,000, the number of telephone calls handled through our enquiries lines declined by over 18%, from 12.7 million to 10.3 million. Our target range for caller accessibility for CCTB and GST/HST credit enquiries is 80-85%. We exceeded this target for CCTB enquiries (91% accessibility), but fell short for GST/HST credit enquiries (71% accessibility – Fig. 1-2).

Although these statistics mean that the majority of callers were able to reach the queue for service, it does not imply that they were successful on their first attempt or that, once in the queue, their calls were answered in a timely manner. 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. Our timeliness in answering calls declined from 2000-2001 and was below our internal standard of answering 80% within two minutes of reaching the queue.

Year-to-Year Change: The public is more aware of the CCRA's role in delivering benefits now, as we have targeted our outreach activities better and provided more information about our programs. According to our Annual Survey, client satisfaction with our performance in delivering benefits remains high (Fig. 1-1). By expanding our 1-800 CCTB National Telephone Service, we increased CCTB caller accessibility rates from 68% to 91%. Caller accessibility improved modestly for GST/HST credit enquiries, from 68% to 71% (Fig. 1-2). We are continuing to explore how to reach the 80-85% target range for these calls. Work on telephone service standards is continuing, with the goal to have standards in place for 2003-2004.

Success Criteria: *Client satisfaction is at the same level or higher than recorded in our Baseline 2000 Survey. Internal performance targets for telephone service are met or exceeded.*

2. Entitled recipients receive accurate and timely payments and credits

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: We issued over 99% of all CCTB, GST/HST credit, and provincial and territorial payments under the programs we administer on time. In total, these payments amounted to over \$11 billion to some 10 million recipients. Studies estimate that 97% of CCTB applications were processed on time, just below the 98% service standard.

To support payment accuracy, we devoted significant resources to program validation and controls. A study for the most recent available year suggests that approximately 95% of CCTB clients for 2000-2001 received the proper entitlement based on complete and accurate account information, consistent with our compliance benchmark for the previous year. As part of our multi-year agenda for improving the robustness of our validation programs, we refined our criteria for selecting accounts for review in 2001-2002 and increased the number of reviews conducted (Fig. 2-1). We will be working over the next several years to further refine our data marts, performance measures, and account selection criteria.

As for processing adjustments, we improved our timeliness in performing account adjustments from an estimated 76% in 2000-2001 to 80% in 2001-2002, but this is still well below our target of 98%. We also processed 73,000 requests for CPP/EI rulings, 81% within agreed-upon timeframes, somewhat below our target of 85% (Fig. 2-2). We are working with Human Resources Development Canada to better link our operations to close this performance gap.

Continued on p.1-90

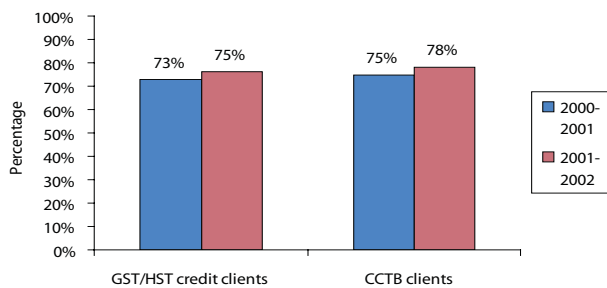
Performance by Business Line Benefit Programs and Other Services

For more information on performance: www.ccra.gc.ca/annualreport

Results highlights

1-1

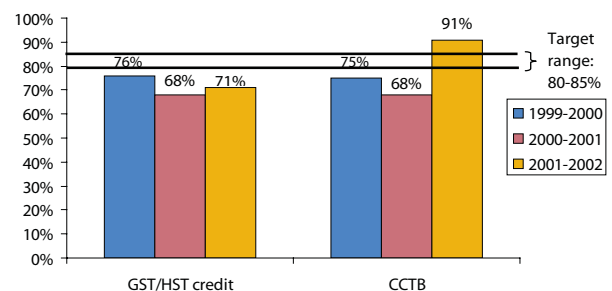
Annual Survey Estimates of Client Satisfaction with Benefit Programs



An estimated three-quarters of recipients believe we are doing a good or very good job administering benefit programs.

1-2

Caller Accessibility



We surpassed our target for CCTB caller accessibility by enhancing our 1-800 national enquiries service. However, GST/HST credit caller accessibility remains below target.

1-3

Key Program Communications Instruments

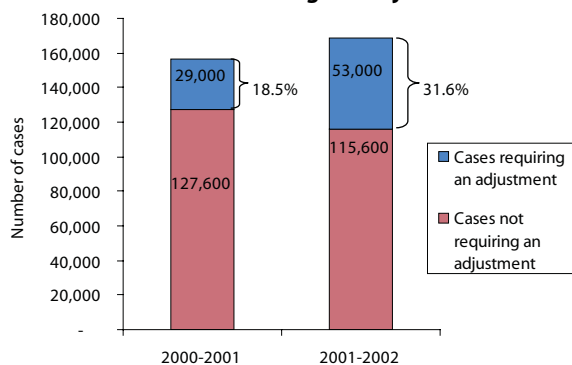
- Information insert to all 3 million CCTB recipients in July 2001
- Distribution of pamphlets and applications to newcomers via Citizenship and Immigration Canada
- Information in *Government of Canada Services for Children and their Families* and *Government of Canada Services for You*
- Targeted mail-outs to 129,000 habitual late-filers

Performance Drivers —

- Client information needs, program take-up rates
- Client enquiries (general and specific)

2-1

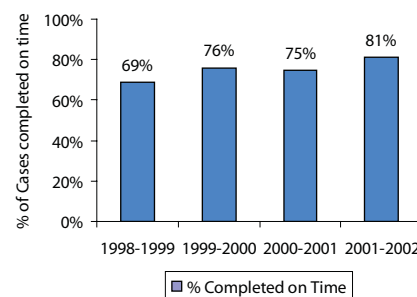
Number of Cases Reviewed Number and Percentage of Adjustments



The rate of adjustment to benefit amounts and account information under our validation programs increased from 18.5% in 2000-2001 to 31.6%.

2-2

CPP/EI Rulings Percentage Completed on Time



We continued to close the performance gap by increasing the timely processing of CPP/EI rulings requests to 81%.



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

Expected outcome:

Provinces/territories and other government departments rely on the CCRA as a key service provider

Anticipated results

Managing the Compliance Continuum




2. (Continued) Entitled recipients receive accurate and timely payment and credits (for overall rating see previous page)

Year-to-Year Change: Based on an estimate of our performance last year, we sustained a high standard of issuing benefit payments accurately and on time in 2001-2002. Refinements to our criteria for selecting accounts for validation activities contributed to a substantial increase in account adjustments (Fig. 2-1).

We are continuing active debt control measures to address the rising level of debt resulting from CCTB overpayments, which increased from \$116 million to \$147 million over the past year. New service standards for account maintenance and validation and controls will be published in 2002-03. The development of a complete slate of service standards by 2004-2005 is proceeding as scheduled.

Success Criteria: Internal performance standards for processing benefit payments are met or exceeded. The service standard for application processing is achieved. High overall compliance in relation to our 95% benchmark is maintained. The target for issuing CPP/EI rulings is achieved.

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

This year's rating (Year 2 of 5)	Last year's rating	Year-to-year change
		

Current-Year Performance (Year 2 of 5): We continue to leverage our federal benefit delivery infrastructure to support important social objectives for Canadians and reduce duplication of effort across government and reduce overall costs for Canadians. In 2001-2002, we launched the Mother Baby Nutrition Supplement for Newfoundland and Labrador, the seventeenth ongoing benefit program we administer on behalf of the provinces and territories. We also delivered our third one-of-a-kind payment—the BC Energy Rebate—on behalf of a provincial client.

To support the inter-governmental National Child Benefit initiative, we enhanced our data exchanges by completing the implementation of the Benefit Data Synchronization Link. This link facilitates the accurate payment of provincial and territorial social assistance in light of federal National Child Benefit Supplement (NCBS) payments. We supported data transfers for provincial, territorial, and federal partners for programs not administered by the CCRA, and processed \$105 million of refund set-offs for other government organizations. We continued to develop our Workers' Compensation Board (WCB) partnership with Nova Scotia and implemented their First-Time Home Buyers HST Rebate program. 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 also implemented three new First Nations sales taxes.

We accounted to our partners for our activities through meetings between the Commissioner and provincial and territorial Ministers of Finance or their designates, which followed the annual reports we issued to each jurisdiction in January 2001. In addition, we now have Service Management Frameworks in place with nine jurisdictions. A strong relationship with the provinces, territories, and other government departments leads to streamlined processes with less duplication and improved service for Canadians at reduced cost.

At this stage, 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 (ABC) initiative.

Year-To-Year Change: The confidence level among jurisdictions in our ability to deliver cost-effective programs as well as data transfers and exchanges—on schedule and within our overall funding levels—continues to be confirmed as two additional programs were implemented, along with multiple program calculation changes and new and enhanced data supports. By making incremental progress in advancing partnerships with the provinces and territories (Fig. 3-1), we are generally on-track in the second year of our innovation agenda. We are positioning ourselves to administer more programs for our partners in the coming years.

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.

INNOVATING FOR THE FUTURE



Performance by Business Line

Benefit Programs and Other Services

For more information on performance: www.cra.gc.ca/annualreport

Results highlights

Performance Drivers —

- Changes to client accounts affecting program eligibility and entitlement
- Volume of CPP/EI rulings requests

3-1

	Benefit Programs and Other Services									
	Child Benefits and Credits		Other Programs and Partnerships		NCBS Data Exchanges		Program Data Transfers		Service Management Frameworks	
	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	

We continued to pursue our business development strategy with the provinces and territories by launching new programs, enhancing data exchanges and supports, and signing new Service Management Framework agreements.

Performance Drivers —

- Demand for new programs and data support
- Provincial and territorial requirements for accountability



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

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 public service telephone standards adapted from existing internal performance targets	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 target range 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% target 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 1 below
Introduce service standards for account maintenance and validation and controls	2001-2002	Service standards for correspondence and account maintenance have been developed and will be published, along with service standards for validation and controls, in 2002-2003.	☑	Yes See item 2 below
Introduce new electronic service options, such as the ability 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 entitlements.	✓	No Fully implemented
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 1-106). We are now back on track in 2002-2003.	✗	Yes See item 5 below
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 3 below
Develop a model for demonstrating cost savings	2001-2004	We help provinces and territories appreciate the potential cost savings they can realize using CCRA program administration.	✓	Yes See item 4 below

✓ On track

☑ Mostly on track

✗ Not on track

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

Performance by Business Line Benefit Programs and Other Services

The Road Ahead – 2002 and Beyond

1. Continue to explore how to increase telephone accessibility for GST/HST credit calls up to the target level (Anticipated Result 1).
2. Publish service standards for correspondence, account maintenance, and validation and controls (Anticipated Result 2).
3. Implement a new case management system for validation and controls activities for better project analysis, statistical reporting, and measurements of effectiveness that include additional targets, increased monitoring, and more research (Anticipated Result 2).
4. Continue to examine ways to collect information on estimates of cost-savings to taxpayers that CCRA program administration entails (Anticipated Result 3).
5. 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).

Main Points – 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.

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.



Performance by Business Line Customs Services

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.

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.

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 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 for the large majority of entries ranging from 91% to 97% for travellers and commercial businesses. 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, textiles 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 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.

This Year in Brief

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.

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

Logic Model

We have prepared a Customs logic model (see www.ccr.gc.ca/annualreport), 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.

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, and to protect the health and safety of Canadians. We work closely with other organizations, such as the Royal Canadian Mounted Police, 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.



Performance by Business Line Customs Services

Spending Profile

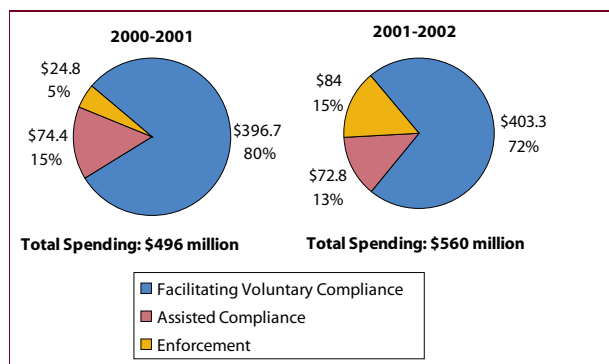
In 2001-2002, 16% (\$560 million) of the CCRA's overall budget was devoted to the Customs business line. This represents an overall increase of roughly \$64 million (13%) since 2000-2001. The bulk of this increase (approximately \$60 million) was directed to enforcement activities, which now account 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.

As shown in [Exhibit 14](#), 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.)

Performance Highlights

The next section (beginning on [page 1-74](#)) presents a detailed report card for Customs Services. It summarizes our performance over the reporting period against our six anticipated results in support of 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. The anticipated results for Customs Services have been modified, since the 2000-2001 Annual Report, to better reflect the environment produced by the events of September 11.

Exhibit 14: Total Customs Resources Allocated to Compliance Continuum



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




Performance Highlights Against Anticipated Results

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

- Enhanced enforcement that expeditiously identifies and responds to threats to the security, health, and safety of society, and to Canada's economy**

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: We assess threats to the security, health, and safety of society and to Canada's economy on a continuous basis and on a variety of levels. 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. Our drug seizures, valued at \$426 million, accounted for roughly 50% of all drugs seized in Canada last year by all enforcement agencies (Fig. 1-3 provides highlights for some volume changes in contraband interdictions over the past two years). Aided by our Officer Powers Program, our efforts at the border also resulted in the return of 93 children to their families, the arrest or detention of 1,285 impaired drivers, the apprehension of 705 individuals wanted on outstanding warrants, and the interdiction of 247 stolen vehicles during 2001-2002.

An existing international threat related to terrorism took on new significance on September 11, 2001. As a result of the attacks on the United States and the potential threat to Canada, we immediately increased our screening of passengers and goods to detect any movement related to terrorism (Fig. 1-2 presents trends in volumes and enforcement actions over the past two years). Within hours of the terrorist attacks, our ports of entry across the country were placed on high alert, and our customs officers were mobilized to process the many U.S. destined planes diverted to Canada while maintaining the highest level of vigilance (Fig. 1-1).

After September 11, we received an immediate infusion of \$6 million to acquire contraband detection technology to help identify contraband and terrorist-related goods. With this new funding and a previous allocation of \$8.5 million in June 2001, the Customs Program continued to research and acquire new equipment to address ongoing and new threats. Further, in recognition of our role as a key player in the Government's security agenda, \$433 million was set aside for the CCRA over six years, as part of the Public Security Anti-Terrorism funding.

Through our on-going collaborative efforts, we continued to negotiate umbrella memoranda of understanding with several other government departments to strengthen our ability to identify and respond to external threats of all kinds. However, this is taking longer than we had hoped (Fig. 1-4 provides an overview of ongoing negotiations).

We helped protect Canadian producers from unfairly dumped or subsidized goods. In response to Canadian industry complaints, we completed eight investigations involving a number of countries and commodities, for a total of 41 country-specific actions.

Year-to-Year Change: Our extraordinary execution in response to the events of September 11 highlighted our ability to identify and respond to threats. We have made a significant investment in new contraband detection equipment to improve our effectiveness in interdicting non-compliance at Canadian ports of entry. The total dollar value of seizures decreased from \$679 million in 2000-2001 to \$460 million. We believe that this result is at least partly due to the deterrent effect of our increased security efforts following September 11. Although the number of dumping and subsidy investigations declined from 11 in 2000-2001 to 8, the number of country-specific actions resulting from these investigations increased from 20 to 41.

Note: Enhanced enforcement was reported mid-way through our performance report last year and is now reported as our first anticipated result in recognition of the shift in priorities following September 11.

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.



Performance by Business Line Customs Services

For further information on performance: www.ccra.gc.ca/annualreport

Results highlights

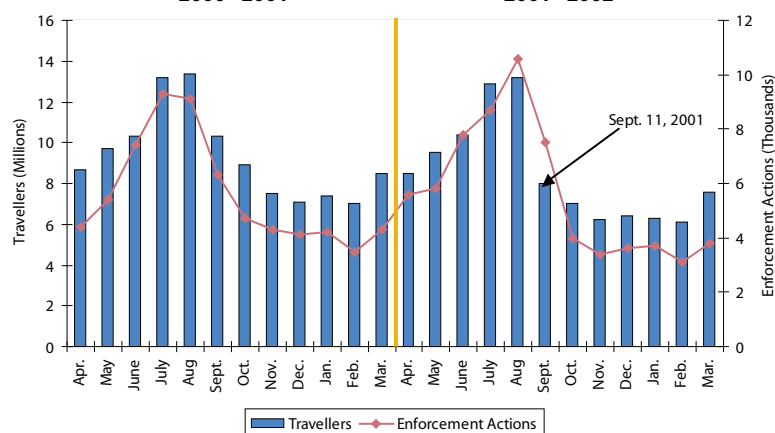
1-1 Response to September 11: An Exemplary Performance



Photo courtesy of Halifax Airport Authority

- Within 45 minutes of the terrorist attacks, resources were mobilized to process more than 33,000 passengers and aircrew from 224 diverted aircraft.
- Immediate National Security Alert Priority 1 status implemented.
- Emergency Operations Centre activated at Customs Headquarters.
- Under Smart Border Declaration, established joint U.S.-Canada working groups to advance co-operative border management.
- Unprecedented liaison and information-sharing with other enforcement agencies and the U.S.
- Customs officials demonstrated professionalism and compassion.

1-2 Traveller Volume and Enforcement Actions 2000 - 2001 2001 - 2002



Enforcement Actions include all interdictions of undeclared goods.

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.

1-3 Contraband Interdictions: Year-Over-Year Comparison

	2000-2001	2001-2002	% Change
Weapons (# of items)	25,169	17,484	-30.53%
Alcohol (Litres)	32,445	35,796	10.33%
Jewellery (Value)	\$4,988,626	\$5,971,687	19.71%
Drugs (Value)	\$636,483,801	\$426,212,878	-33.04%

Overall, contraband interdictions have declined in number and value since the previous fiscal year. While the terrorist attacks of September 11 are thought to have affected the general compliance level, the downward trend in enforcement activity predates the tragic events in the United States.

1-4 Mitigating Risks

2001-2002 Ongoing Negotiations for Memoranda of Understanding

Canadian Food Inspection Agency	Natural Resources Canada
• collectable penalties	• explosives
Health Canada	Environment Canada
• quarantinable diseases	• Convention on the International Trade of Endangered Species
	• hazardous waste

Performance Drivers —

- Globalization
- International cooperation against smuggling
- National and international intelligence reports
- Risk management



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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




Performance Highlights Against Anticipated Results

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

2. **Effective compliance management that enhances personal and economic security, and encourages partnerships and sustained compliance**

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: Understanding compliance remains a challenging but critical task for effective risk management. 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. 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. However, when viewed together, the results for the first two years provide at least some indication of compliance by mode. Our judgement based on these figures (Fig. 2-1) 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.

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. However, our current methodology is not sufficiently robust to draw firm conclusions. A preliminary assessment of 74 post-release verifications in three 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% (Fig. 2-2). Further analysis will assess the reliability of these results as well as the degree of compliance in other priority trade areas, with the objective of identifying and addressing sources of non-compliance with trade legislation. We are currently developing a long-term system solution for analyzing the results of these post-release verifications.

To promote high levels of border and trade compliance, we provide client service and education to our clients through trade shows and outreach activities (Fig. 2-3). We have also invested heavily in technology to help compliant individuals and traders identify themselves to us. 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 first phase focused on the commercial sector and will expand to incorporate travellers in the future.

We recognize that we have to develop clearer measures of our performance. We have not progressed as quickly as we had anticipated with our Compliance Improvement Plan. 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. We are also working with other government departments and agencies to assess the viability of using post-release verification to supplement border examinations and to ensure compliance with their programs.

Year-to-Year Change: While not yet statistically valid, the results of our random border examinations continue to suggest high overall levels of compliance by travellers and traders with border and initial release requirements. Although we are not yet able to make firm conclusions about levels of compliance with overall trade requirements, we are concerned, in light of our preliminary analysis of importer books and records, that these levels may not be as high as we had expected. We initiated the development of methodologies and processes that will allow us to better capture and report results under the Compliance Improvement Plan.

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.



Anticipated results met
Rating is based on good data quality



Anticipated results mostly met
Rating is based on reasonable data quality



Anticipated results not met
Rating is based on weak data quality

Performance by Business Line Customs Services

For further information on performance: www.ccra.gc.ca/annualreport

Results highlights

2-1

Compliance Measurement Program 2 Years of 3-Year Cycle (Preliminary Estimates)

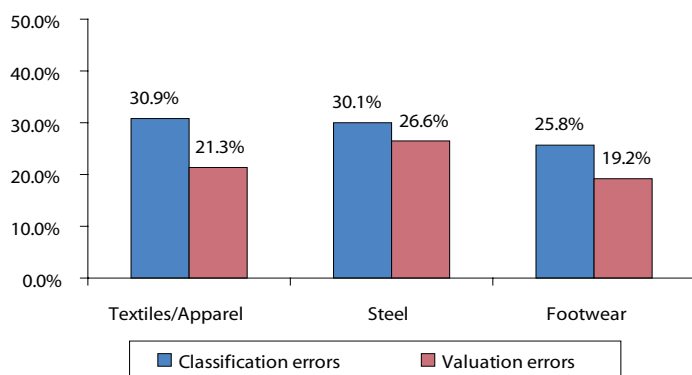
	In-Year Cycle Results			3-Year Compliance Rate
	YR1	YR2	YR3	
	2000-2001	2001-2002	2002-2003	
Highway Commercial	95.9%	95.1%	TBD	TBD
Air Commercial	91.3%	91.3%	TBD	TBD
Marine Container	89.0%	81.8%	TBD	TBD
Postal	95.8%	90.3%	TBD	TBD
Courier	93.8%	94.8%	TBD	TBD
Air Travellers	94.0%	97.0%	TBD	TBD
Land Travellers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

TBD: To be determined

The Compliance Measurement Program aims to measure the overall rates of compliance, by mode, over a three-year cycle. When viewed together, however, the results for the first two years provide a rough indication of likely compliance levels by mode. Our judgement, based on these figures and other information, is that travellers and traders generally comply with border legislation.

2-2

2000-2001 Post-Release Verification Program Estimates of error rates for textiles/apparel, steel, and footwear transactions



Preliminary results from our sample suggest a high error rate with classification of commodities and valuation of transactions for the above priority commodity areas. Further analysis is required to assess the reliability of these results as well as the degree of compliance in other priority trade areas, with the objective of identifying and addressing sources of non-compliance with trade legislation.

2-3

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.

Performance Drivers —

- Manley-Ridge Smart Border Declaration
- Trade volumetrics
- September 11
- *Special Import Measures Act*
- Compliance Improvement Plan



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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




Performance Highlights Against Anticipated Results

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

3. Responsible services that encourage voluntary compliance and minimize the compliance burden without compromising security

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: Providing responsible customs service means fulfilling our dual mandate to protect and facilitate, without compromise to either. This was brought into sharp relief following the attacks of September 11, as 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 impacts on the Canadian and American economies. We reviewed on an urgent basis the programs and scope of services offered at our service locations across Canada. By the end of the fiscal year, customs service was resumed at 121 airports and 53 permit sites, and we had refined our land border permit programs (i.e., NEXUS and CANPASS) to include heightened security screening before we re-introduced them (Fig. 3-2 shows the suspension in the NEXUS program during October and November 2001).

While wait times for travellers entering Canada through major points of entry mostly met our service standard before September 11, these times increased significantly as a result of the enhanced security verifications in the days immediately following that date. To assist travellers and traders in planning their route into Canada and travel time, we published regular updates on the Internet. Our Web page received in excess of 8,000 hits a day.




Year-to-Year Change: Beyond working to address the security concerns heightened by the events of September 11, we continued our efforts to encourage voluntary compliance through Customs Self-Assessment, a streamlined accounting and payment process for approved importers (Fig. 3-1 provides a brief summary of similar initiatives which are aimed at improving security and facilitating border travel and trade). We reviewed our programs and services to ensure that levels of service did not compromise security. Client satisfaction in customs has remained stable relative to our 2000-2001 benchmark, with 77% of respondents to our Annual Survey rating our performance as good or very good.

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.

4. Certainty and consistency for international trade and travel

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: Fundamental to promoting a more stable and certain environment for trade transactions is negotiating international customs rules, requirements, and definitions and promoting customs harmonization and simplification of standards. We continued to demonstrate leadership at international forums such as Asia-Pacific Economic Cooperation (APEC) and the World Customs Organization, where the CCRA recently played a prominent role in promoting initiatives that will enhance the security of the trade chain and capacity building in developing countries. We actively supported Canada's negotiations for several free trade agreements (Fig. 4-1 illustrates the scope of international involvement). Following the events of September 11, we have worked even more closely with the U.S. to ensure the economic well-being of both countries through a more secure border that is open to legitimate trade and travel. The 30-Point Action Plan under the December 2001 Smart Border Declaration is a key priority. It outlines our shared commitment to a border that securely facilitates the free flow of people and commerce.

Year-to-Year Change: We added both human resources and equipment to enhance border security and management as a consequence of the terrorist attacks of September 11, 2001. We have worked very closely with the U.S. to realize the Smart Border Declaration. Nonetheless, we continue to contribute at the international level to the standardization of import and export processes.

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.



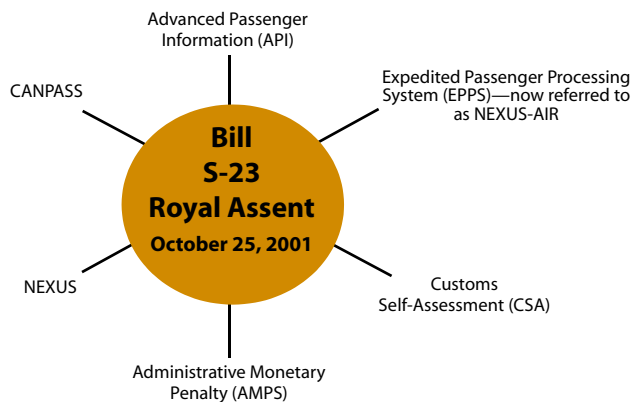
Performance by Business Line Customs Services

For further information on performance: www.ccr.gc.ca/annualreport

Results highlights

3-1

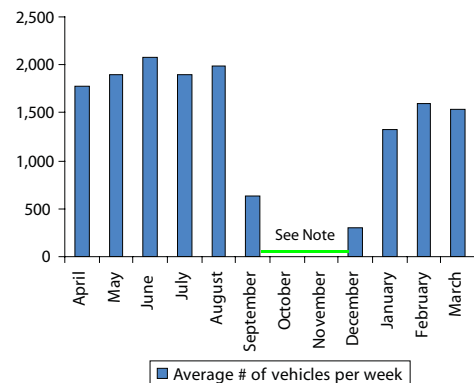
Responsible services that encourage voluntary compliance and minimize the compliance burden without compromising security



Bill S-23 proposed several amendments to the *Customs Act* that will allow us to implement the initiatives outlined in the Customs Action Plan. These amendments are the first steps in modernizing Canada's border program.

3-2

NEXUS use April '01-March '02



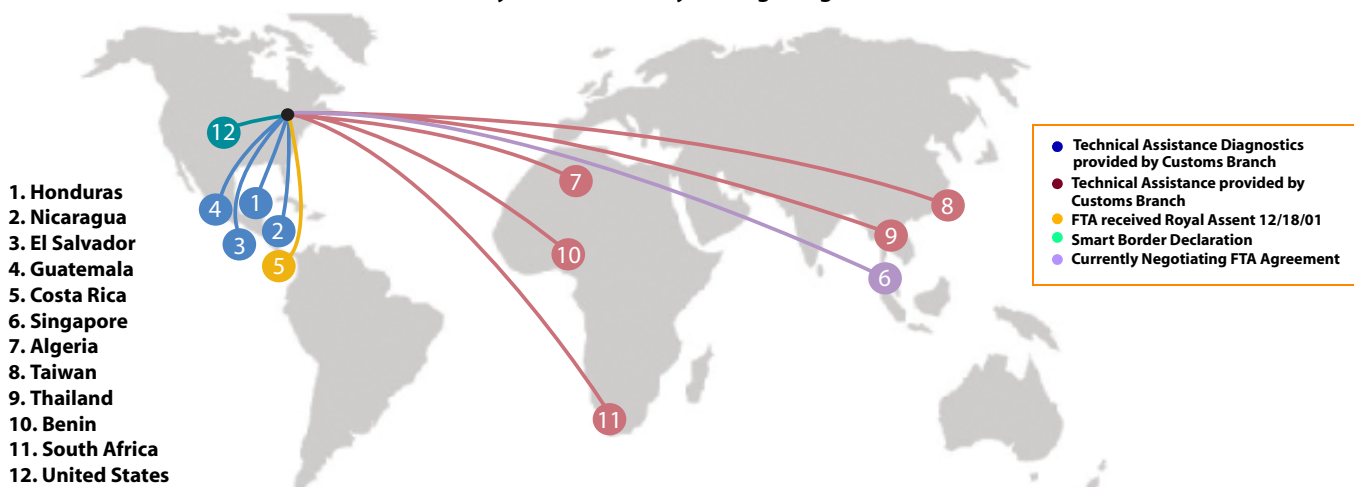
Note: NEXUS was suspended following the events of September 11 but later re-introduced with a broader scope and escalated mandate.

Performance Drivers —

- Volumetrics
- Service standards
- Globalization

4-1

Certainty and Consistency Through Negotiation



Customs collaborates with a broad number of other governments to ensure consistent international customs rules and requirements.

Performance Drivers —

- Globalization
- Electronic Commerce
- Terrorism



Year-over-year performance change with respect to compliance agenda
Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

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

MANAGING THE COMPLIANCE CONTINUUM

5. Knowledgeable and skilled workforce supported by the appropriate tools, information, and technology to meet current and future program needs.

This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: Underpinning all of our strategies and plans is the knowledgeable and skilled work force we depend on to deliver our mandate. Estimates based on the 2001 CCRA Annual Survey indicate that about 90% of all Canadians who had dealings with customs in 2001-2002 agree that our customs staff is knowledgeable and competent. Our ongoing training, as shown in Fig. 5-1, and aggressive transformation plan, as described in the next anticipated result, contribute to ensuring that this benchmark is maintained. Looking forward, we completed the first phase of the Customs Human Resources Plan to evaluate and plan for the work force we need by 2005-2006, and we completed an analysis of our current requirements for compliance verification officer, client services officer, and customs inspector jobs.

We inducted 396 recruits to our new customs inspector training program, somewhat short of our capacity of 435 due to a shortage of accommodations available at the CCRA College. An external expert found that the new training program demonstrated a high rate of learner success.

As a short-run response to the events of September 11, customs officers worked hard to move commercial shipments in an environment of uncertain risk and to process anxious and worried travellers.

Year-to-Year Change: Estimates based on the Annual Survey indicate that most Canadians (about 90%) who have dealings with customs, continue to agree that our staff is knowledgeable and competent. Our progress against our human resource training and planning goals for the year was solid for the most part. 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 Smart Border Declaration, which will stretch our resource capacity even further.

Success Criteria: Meeting recruiting and training targets.

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

INNOVATING FOR THE FUTURE

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

This year's rating (Year 2 of 5)	Last year's rating	Year-to-year change

Current-Year Performance (Year 2 of 5): The Customs Action Plan (CAP)—the focus of our efforts to transform the way we perform our core business operations—took on even greater importance in 2001-2002. 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 response to the events of September 11. Examples include Advanced Passenger Information, Expedited Passenger Processing System, and NEXUS, a permit program for pre-screened travellers (Fig. 6-1 provides highlights of the Customs Action Plan for 2001-2002). The Manley-Ridge Smart Border Declaration served as a key enabler of the accelerated schedule for these initiatives. Business transformation was also facilitated by setting aside \$433 million of Public Security and Anti-Terrorism funding for the CCRA over six years.

Year-to-Year Change: 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.



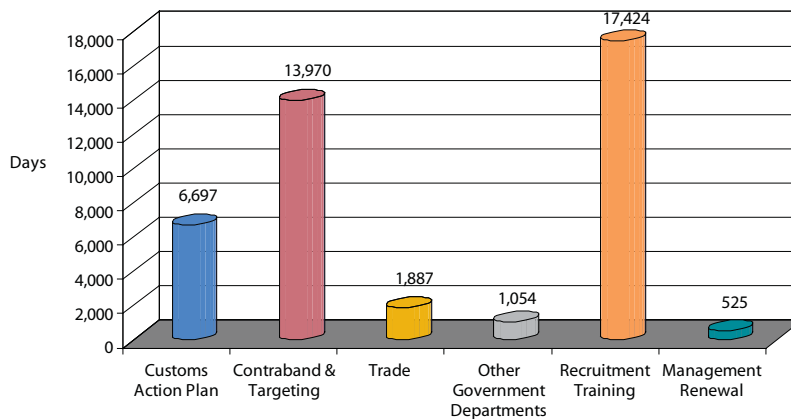
Performance by Business Line Customs Services

For further information on performance: www.ccr.gc.ca/annualreport

Results highlights

5-1

Customs Training days in 2001-2002



Customs continued to invest in training initiatives throughout 2001-2002 to develop the skills and abilities required for a skilled and knowledgeable workforce.

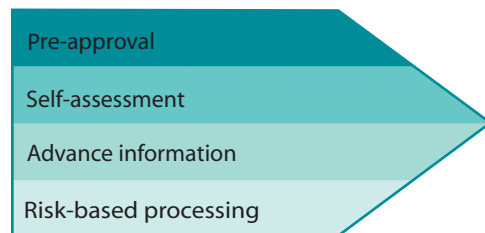
Performance Drivers —

- Customs Action Plan
- Manley-Ridge Smart Border Declaration
- Demographics

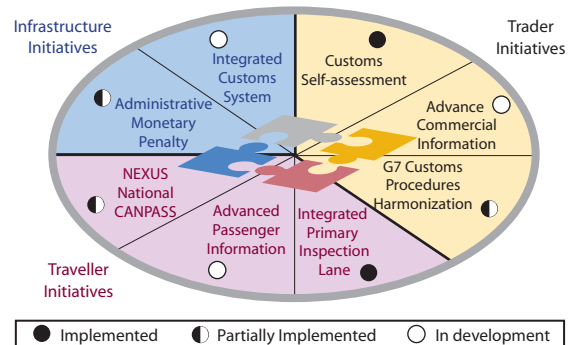
6-1

Building on the Customs Action Plan

Underlying Principles of Customs Action Plan



Major Initiatives



Built on a foundation of pre-approval, self-assessment, advance information, and risk-based processing, the Customs Action Plan continues to shape our future direction.

Performance Drivers —

- Customs Action Plan
- Manley-Ridge Smart Border Declaration



Year-over-year performance change with respect to compliance agenda
— Performance unchanged year-over-year with respect to compliance agenda



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

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?
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 and CANPASS-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
		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
Implementing Compliance Improvement Plan	2001-2005	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, 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 1-106). 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)



Performance by Business Line 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).

Main Points – Appeals



About Appeals

The CCRA's Appeals business line is one of the Government of Canada's largest dispute resolution services. We aim to provide clients with a fair dispute resolution process respecting Canadians' fundamental right to redress in their dealings with the federal government.

We review contested decisions in income tax, GST/HST/excise tax, trade administration, customs enforcement sanction, Canada Pension Plan, and Employment Insurance cases.

In addition, we are responsible for co-ordinating the CCRA's Fairness Initiative, which includes the application of legislative provisions for forgiving interest and penalties to clients unable to comply with tax laws due to

circumstances beyond their control. We also administer the Voluntary Disclosures Program which allows clients to correct past errors or omissions and report without penalty their tax, duty, and tariff obligations.

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 from 57,000 last year.



Performance by Business Line Appeals

We Have One 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.

High-Level Success Criteria

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

- 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.

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. 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.

This Year in Brief

Performance Context

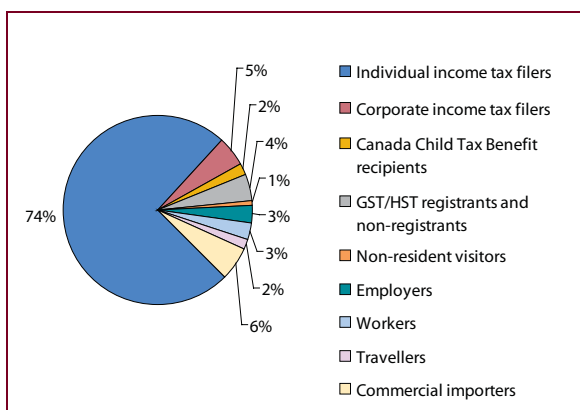
To earn and keep the trust of our clients, we need a redress process that not only **is** fair but is also **seen to be** fair. Clients who are not satisfied with the results of our reviews may appeal to the courts. For trade administration issues, they may appeal to the Canadian International Trade Tribunal.

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 15](#), 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.

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

Exhibit 15: Actual Redress Clients



Logic Model

We have prepared an Appeals logic model (see www.cra.gc.ca/annualreport) 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.

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 co-operate 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.

Spending Profile

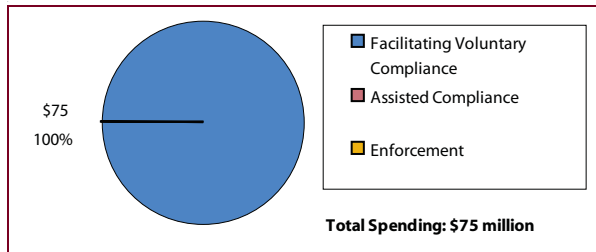
Appeals is the smallest of the CCRA's business lines, accounting for some 2% of the total Agency budget. In 2001-2002, we spent about \$75 million on our regular business line operations, which was about \$7 million less than authorized and about \$4 million more than last year.

As shown in [Exhibit 16](#), 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. An impartial and timely redress system fosters trust in the tax and customs systems as a whole which, in turn, promotes voluntary compliance with those systems.



Performance by Business Line Appeals

Exhibit 16: Total Appeals Resources Allocated to the Compliance Continuum for 2001-2002 (\$million)



Note: The percentage above is based upon management's best estimates of actual business line spending on compliance continuum activities.

Performance Highlights

The next section (beginning on [page 1-88](#)) presents a detailed report card for Appeals. It summarizes our performance over the reporting period against our six anticipated results in support of our expected outcome—Canadians receive an impartial and timely review of contested decisions through our redress system.




Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

1. Transparent, accessible, and consistent redress mechanisms promote fair and impartial treatment*

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: 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.

Regarding accessibility, it is our expectation that all 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 (Fig. 1-2). 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 decisions.

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 exceeded this standard in all of our five program areas (Fig. 1-1; also [Schedule B on page 1-133](#)).

Accessibility was enhanced through changes in legislation that give clients more time to file appeals in certain cases related to our Customs business line. 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 on [page 1-90](#)) and the perceived cost of filing disputes.

The percentage of disputes decided, either partly or entirely, in favour of the client at the administrative level has remained fairly constant (about 50% for our main income tax and trade administration clients), which we believe is a reflection of our fair and consistent treatment of disputes over time (Fig. 1-3). We discuss our decisions with our income tax and GST/HST/excise tax clients, and at least 60% of them agree with the decisions we make, including a fairly high percentage of clients whose disputes are either not at all or only partially successful.

Year-to-Year Change: In 2001-2002 we substantially exceeded our new service standard for contacting 75% of clients about the status of their disputes within 30 days of filing, by notifying 82% of them within this timeframe. We have raised our standard from 75% across *all* program areas to 85% for *each* program area in 2002-2003.

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 on [page 1-90](#)). 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.



Anticipated results met
Rating is based on good data quality



Anticipated results mostly met
Rating is based on reasonable data quality



Anticipated results not met
Rating is based on weak data quality



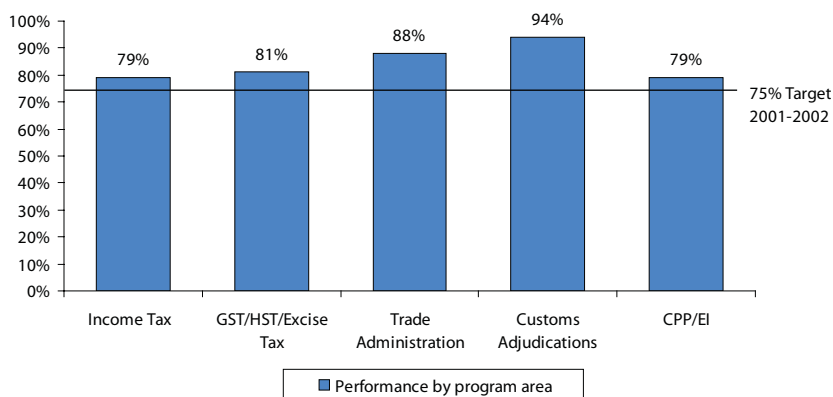
Performance by Business Line Appeals

For further information on performance: www.ccra.gc.ca/annualreport

Results highlights

1-1

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



We exceeded our service standard of contacting clients within 30 days of their filing a dispute.

1-2

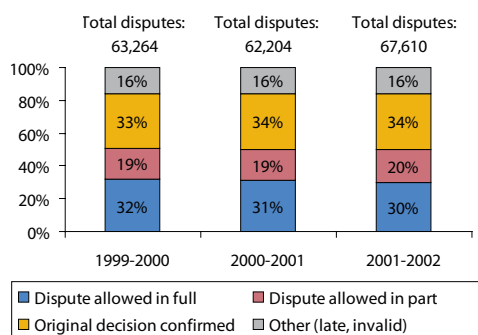
Advising Canadians of Their Right to Appeal

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

All major CCRA forms advise Canadians of their right to appeal.

1-3

Outcome of All Disputes at the Administrative Level



Our 3-year trend shows that clients' disputes are resolved consistently over time.

Performance Drivers —

- Introduction of new service standards and targets
- Changes to Canada's tax, trade, and border laws and regulations



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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




Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

2. Our dispute resolution service is provided on a timely basis*

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: While we reduced turnaround times in our largest programs, 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 (Fig. 2-3). To address timeliness, we undertook a comprehensive study that identified some 130 improvements to decrease processing times. The study confirmed that in all program areas, improvements in inventory and turnaround times are possible. In 2001-2002, we developed new targets for case completion, which if met, will lead to a substantial improvement in almost all program areas as compared to today (Fig. 2-3). 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. Aside from turnaround times, the age of our caseload also remains an issue (Fig. 2-4). The proportion of our inventory that is in non-workable status while we await court decisions or other information is rising (Fig. 2-2). This adds to the length of time it takes to resolve a dispute and has a negative impact on our clients' perception of the appeals process. We completed about 6% more cases than last year, but our intake of new cases rose by 29%, largely because of the large number of income tax objections we received related to the federal government's pay-equity payments (Fig. 2-1).

Year-to-Year Change: Between 1999-2000 and 2001-2002, turnaround times have decreased in the majority of program areas (Fig. 2-3). In customs programs, however, the moving of backlogged inventory from non-workable to workable status caused turnaround times to grow. 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.

Inventories in 2001-2002 decreased in all programs except income tax as referred to above. Due to factors beyond our control, primarily the litigation-bound status of pay equity objections, the percentage of cases in non-workable status increased to 68% (Fig. 2-2). The value of amounts in dispute in non-workable cases increased to 80% of the total value, or \$6.5 billion.

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, [page 1-88](#)), the rating for timeliness remains unchanged at "not met."

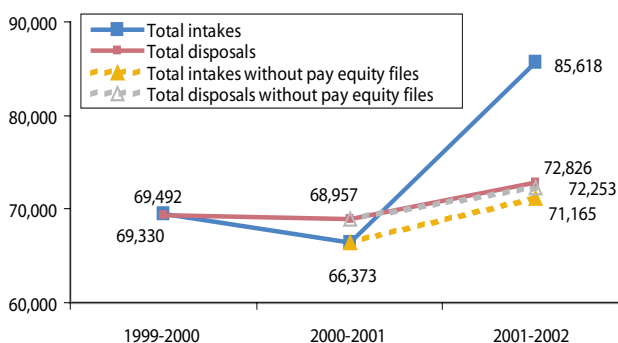


Performance by Business Line Appeals

For further information on performance: www.ccra.gc.ca/annualreport

Results highlights

2-1 Dispute Intakes and Disposals



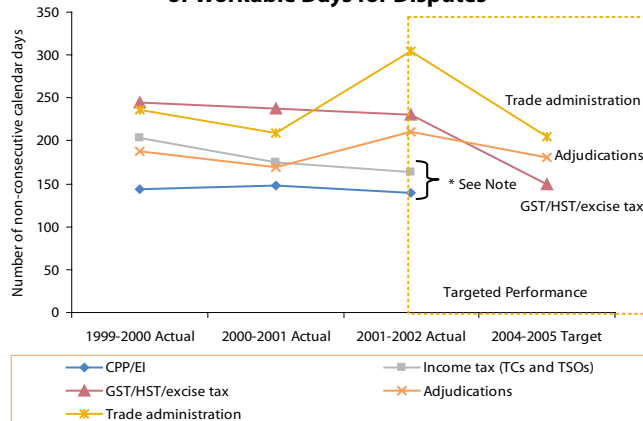
We completed more cases this year, but intakes of new cases rose due to the many pay equity objections.

2-2 Percentage of Workable and Non-Workable Files in Inventory



The number of non-workable cases grew. Many of these were pay equity objections.

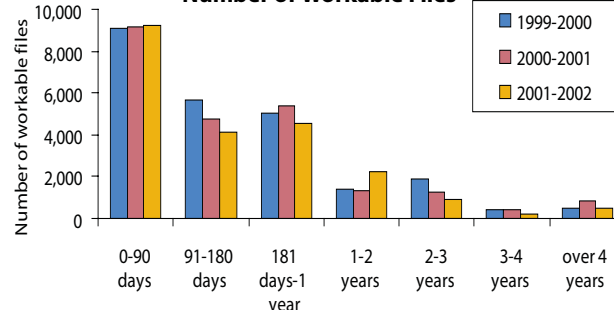
2-3 Processing Times in Average Number of Workable Days for Disputes



In the majority of program areas, turnaround times decreased marginally this year compared to 1999-2000. They are expected to decrease substantially by 2004-2005.

* 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.

2-4 Dispute Inventory by Age – Number of Workable Files



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.

Performance Drivers —

- Number of new cases
- Complexity of disputes
- Status of files (workable or non-workable)



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

3. Handling of fairness provisions is consistently applied across programs and regions

This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: It is our opinion that we are consistently applying the fairness provisions throughout the CCRA, but this opinion is largely based on a qualitative assessment. We issued a reference guide on the provisions to field office staff to promote consistency and accuracy in the processing of requests at service points throughout Canada. In addition to giving tools and guidelines to officers across the CCRA, we initiated a review of our fairness registry for tracking requests and decisions relating to cancellations of interest and penalty assessments. 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 dispute cases. A roll-up of the costs of this program has been completed, and the results will be examined.

Year-to-Year Change: Requests under the fairness provisions increased again this year, as did the value of interest and penalties waived (Fig. 3-1 and Fig. 3-2). This increase 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. Out of 108,158 cases Agency-wide, relief was provided in 75,960, for an estimated total of \$191 million, not counting automatic waivers of penalties or interest (which totalled an estimated \$97 million). Little progress has been made in instituting Agency-wide monitoring to provide greater assurance of consistency.

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.*

4. Risk management of dispute and litigation issues is effective

This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: 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.

In general, we believe that our risk management is largely effective in relation to these goals. The percentage of cases resolved administratively remained very high (above 90%) in 2001-2002 (Fig. 4-1) for all programs except CPP/EI; the unique role of the CCRA in CPP/EI disputes makes comparisons with these other programs difficult. For those cases that proceeded to the courts, the CCRA's decision was confirmed in the majority of cases, a finding which is consistent with our goals (Fig. 4-2). As promised, we introduced a risk management framework to bring coherence to our practices, and an orientation manual was designed for roll-out next year. 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. This year, in response to our input, an amendment was enacted to clarify who could claim the GST/HST credit in certain situations.

Year-to-Year Change: While our success rate in the courts dropped slightly this year (by 6%), slight fluctuations in case outcomes are not indicative of litigation management issues. It is expected that our risk management strategy and our quality assurance and monitoring programs, once instituted, will contribute to stable performance in risk management for both non-complex and complex files.

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.*

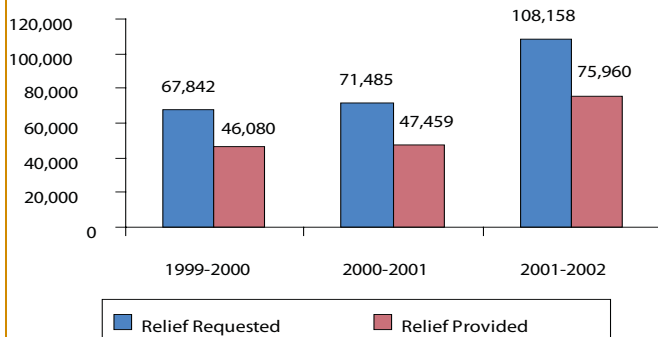


Performance by Business Line Appeals

For further information on performance: www.ccra.gc.ca/annualreport

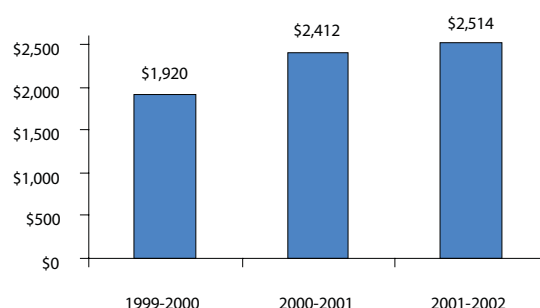
Results highlights

3-1 Requests and Relief Under the Fairness Provisions



The proportion of cases where relief was granted stayed the same despite increases in the number of requests.

3-2 Penalties and Interest Forgiven per Request Granted

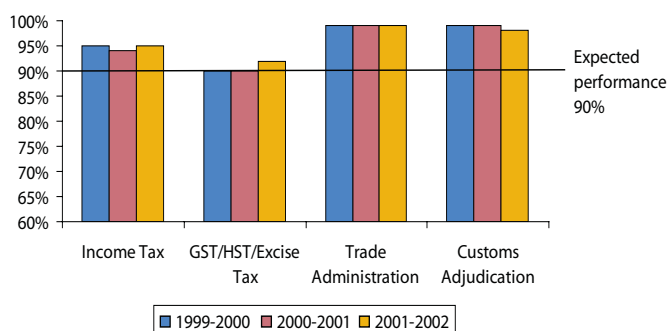


The value of penalties and interest forgiven per request has increased in the last three years.

Performance Drivers —

- Number of requests under the fairness provisions

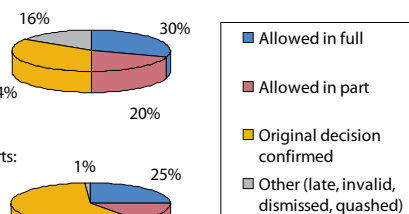
4-1 Administrative Resolution Rates



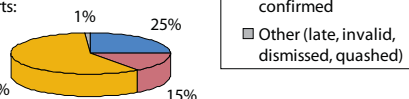
The percentage of cases resolved without going to court is consistently high.

4-2 Outcome of Clients' Disputes and Appeals

Resolved administratively:



In the courts:



Clients succeed about half of the time at the administrative level. Where they do not succeed and appeal to the courts, the courts agree with the CCRA in the majority of cases.

Performance Drivers —

- Number of clients who appeal the CCRA's decision to the courts



Year-over-year performance change with respect to compliance agenda
Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

5. Knowledgeable and skilled workforce is in the right place at the right time

This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: In 2001-2002, all Appeals staff positions were reviewed and profiles of required competencies were established as part of the CCRA's new competency-based human resources regime. In addition, a new position of branch learning agent was established and staffed 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. Our primary difficulty continues to be having sufficient staff in the right place at the right time. 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. 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. In an attempt to improve turnaround times despite the staffing shortfall, some workloads were transferred both inter- and intra-regionally. As anticipated, processing times for Income Tax files improved following this change.

Year-to-Year Change: An aggressive approach to human resources management enabled us to reduce our staffing shortfall from 10% in 2000-2001 to 7% this year (Fig. 5-1).

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

6. Fairness principles are applied and integrated across all programs

This year's rating (Year 2 of 5)	Last year's rating	Year to year change

Current-Year Performance (Year 2 of 5): The principles of fairness are generally applied and integrated across the CCRA, although a monitoring and reporting framework is necessary to ensure that fairness continues to be addressed in future years. The 7-Point Plan for Fairness, begun in 1999, describes the actions that were taken to achieve greater fairness in the CCRA's dealings with Canadians. This plan has now been implemented CCRA-wide (Fig. 6-1). 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.

Year-to-Year Change: One outcome of the implementation of the 7-Point Plan for Fairness is that the Voluntary Disclosures Program continued its significant expansion, with related assessments reaching an estimated \$230 million, compared to \$143 million last year (Figs. 6-2 and 6-3). This increase is indicative of the effectiveness of our program communication which aims to improve voluntary compliance. However, the increase is not expected to continue at this rate. The higher workload has resulted in a growing inventory of voluntary disclosure applications carried over from one year to the next (Fig 6-3). Inventories in 2001-2002 increased to 2459 files, up by 28% over the year before. Nevertheless, the proportion of cases in inventory to cases completed fell from last year's levels. To address the issue of increasing workload, a stable funding source for the program is being secured.

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



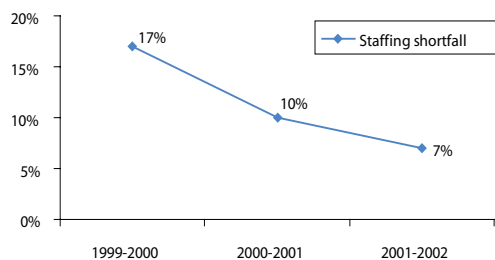
Performance by Business Line Appeals

For further information on performance: www.ccra.gc.ca/annualreport

Results highlights

5-1

Staffing Shortfall Compared to Authorized Funding



The staffing shortfall was reduced again this year.

Performance Drivers —

- Ability to attract employees with the required knowledge
- Resource allocation to staffing

6-1

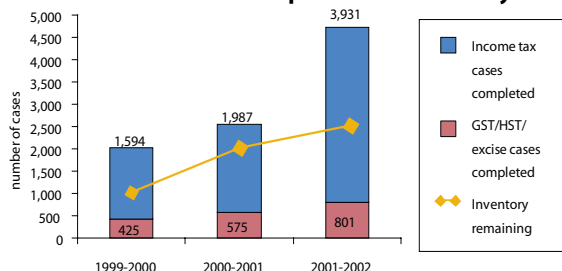
7-Point Plan for Fairness

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.	✓			

The 7-Point Plan for Fairness is now implemented Agency-wide.

6-3

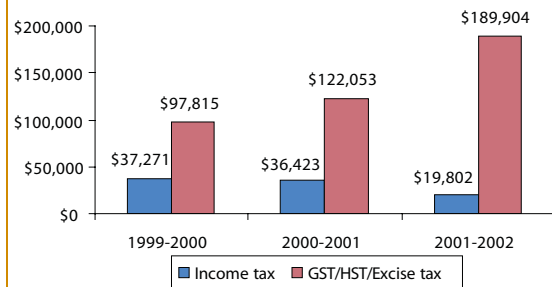
Voluntary Disclosures Program — Cases Completed and Inventory



Despite the completion of substantially more Voluntary Disclosures Program cases, our inventory continues to grow.

6-2

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



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. GST/HST/excise tax files form only a small percentage of all voluntary disclosure files received (Fig. 6-3).

Performance Drivers —

- Overall effectiveness of our voluntary compliance measures, including program communication
- Resource allocation to the Voluntary Disclosures Program



Year-over-year performance change with respect to compliance agenda

Performance unchanged year-over-year with respect to compliance agenda



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

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?
Setting clear targets for all Appeals programs	2001-2002	Targets for case completion times were established during 2001-2002 for all but two program areas. These targets will run until 2004-2005. Similarly, targets to control inventories were developed in some program areas.	☑	Yes See item 1 below
Integrating them into our performance measurement framework and establishing corresponding service standards, where appropriate	2001-2002	As a first step, the 30-day meaningful client contact service standard moved from a pilot to full implementation Agency-wide, backed by ongoing monitoring.	✓	No
Improving timeliness of the dispute resolution process by introducing a specific action plan in 2001-2002	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 1 to 4 below
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 1-106). We are now back on track in 2002-2003.	✗	Yes See item 1 below

✓ On track

☑ Mostly on track

✗ Not on track

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



Performance by Business Line Appeals

The Road Ahead – 2002 and Beyond

1. 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).
2. 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).
3. Implement the remainder of the training framework (Anticipated Result 5).
4. Conduct a pilot study of file complexity factors to better predict turnaround times and required resources (Anticipated Results 2 and 4).

Main Points – 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.

In concert with the other business lines, Corporate Management and Direction also deals with access to information matters to ensure proper transparency to Canadians, and the adherence to privacy legislation to ensure the safeguarding of sensitive information.

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.

Performance by Business Line Corporate Management and Direction

We Have One 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*.

High-level Success Criteria

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

- 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.

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.

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.

This Year in Brief

Performance Context

Innovation is at the heart of 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.

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.

Key Volumetrics

- Supported over 200 information technology applications
- 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

Logic Model

We have prepared a Corporate Management and Direction logic model (see www.cra.gc.ca/annualreport) 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 (see [page 1-127](#)) which summarizes our performance against each anticipated result.

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.

Performance by Business Line Corporate Management and Direction

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, Inter-American Centre of Tax Administrators, Canadian Advanced Technology Alliance, Intra-European Organization of Tax Administrations, 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.

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.

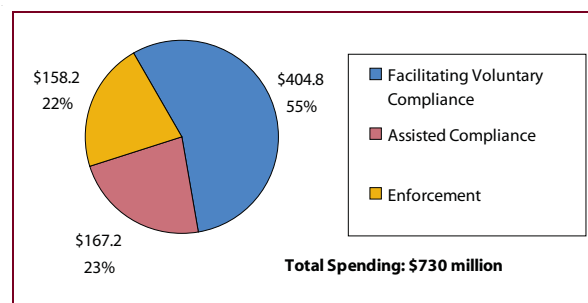
The largest share of Corporate Management and Direction's resources (approximately 43%) was spent on information technology (IT). The CCRA has the largest IT workforce in the Public Service which supports some 50,000 Agency employees (at peak periods) in over 750 locations across Canada. In the future, 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.

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 17 provides the distribution of resources across the compliance continuum for the Corporate Management and Direction business line—from facilitating voluntary compliance to assisted compliance and enforcement. The distribution is based on the breakdown of actual spending of the four operational business lines.

Exhibit 17: Total Corporate Management and Direction Resources Allocated to the Compliance Continuum for 2001-2002 (\$million)



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

Performance Highlights

The next section (beginning on [page 1-102](#)) presents a detailed report card for Corporate Management and Direction. It summarizes our performance over the reporting period against our eight anticipated results in support of our expected outcome—performance of our business services and operations is maximized through modern and innovative management approaches.




Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

1. Effective governance regime that provides management oversight and leadership

This year's rating (Year 2 of 5)	Last year's rating	Year-to-year change
		

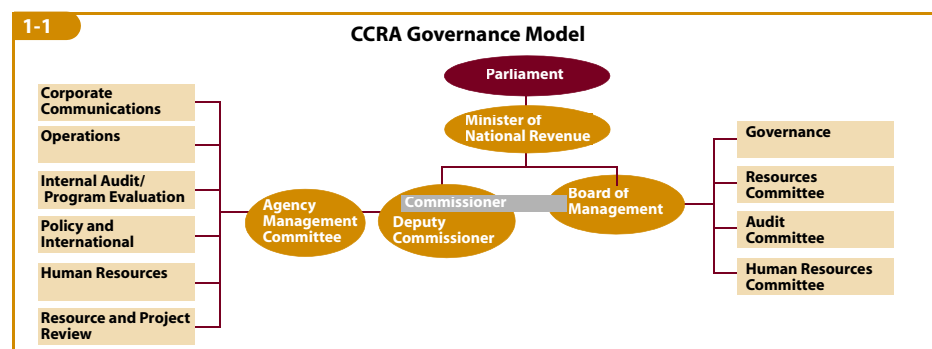
Current-Year Performance (Year 2 of 5): Since becoming an agency, we have been building a sound governance regime to support modern and innovative management, while respecting Parliament's expectations for transparency and accountability (see Fig. 1-1). Two pillars support our governance regime:

- 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.

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.



While our governance architecture is sound and its committee structure is working well, it requires further maturing and integration.



Performance by Business Line Corporate Management and Direction

Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

1. (Continued) Effective governance regime that provides management oversight and leadership

Year-to-Year Change: 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 BoM and AMC; we refined the direction of the 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.

Performance Drivers —

- Latitude available for deriving benefits from the unique flexibilities we have as an agency
- Sufficient and appropriate funding

2. A cultural shift under way and growing that puts decision-making in the hands of managers

This year's rating (Year 2 of 5)	Last year's rating	Year-to-year change

Current-Year Performance (Year 2 of 5): 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.

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. 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.

Year-to-Year Change: 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 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.*

Performance Drivers —

- An effective governance regime backed by incentives, rewards, and tools
- Willingness and openness of staff to change






Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

3. Leadership in human resources reform that is in tune with business objectives

This year's rating (Year 2 of 5)	Last year's rating	Year-to-year change
		

Current-Year Performance (Year 2 of 5): 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 (see Fig. 3-1).

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.

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 MG group 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, 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. For further discussion on HR, please see [page 1-106](#).



Performance by Business Line Corporate Management and Direction

For further information on performance: www.ccra.gc.ca/annualreport

Results highlights

3-1

The CCRA has two strategic outcomes:

Compliance and Innovation

Human Resources Reform and Renewal is one of four change objectives in support of Innovation

Our objective is **Strategic HR Management that is:**

- **forward looking and** based on grounded, fact-based HR strategies to effectively deliver "the right people at the right place at the right time";
- **appropriately integrated** with business planning and with budgets;
- **owned by managers** who have greater delegated authority and accountability for people management, and promote dialogue with front-line employees;
- **based on corporate values** and principles in staffing instead of rules; and
- **business line focused and responsive to clients, providing** 50% faster staffing than prior to Agency; faster classification decisions.

Our HR Strategy up to 2004-2005

We have 14 strategic initiatives addressing our statutory and other transformation requirements.

Statutory: Staffing, Dispute Management, Classification, and Labour Relations

Other Initiatives: MG group, Performance Management, Learning, Compensation, Official Languages, Employment Equity and Diversity, Recognition Program, Employee Assistance, Planning, and Competencies

We met all our Year 2 key planned deliverables as per *Summary of the Corporate Business Plan*

- **Staffing:** Job competency profiles; pilot of pre-qualified pools
- **Recourse:** 50% of managers trained in Alternative Dispute Resolution System
- **Labour Relations and Compensation:** First collective agreement negotiated after the Public Staff Relations Board decision
- **MG group:** implemented MG group based on Agency Classification System

We are sharing best practices and have learned some lessons

Best practices:

- Integrated MG group linked to front-line employees
- More than 70% (28,749) of permanent employees had performance expectations completed and over 25,000 individual learning plans developed
- 180 learning products linked to the four corporate objectives
- employees participated in over 6,400 Leadership Program learning modules

Continuing concerns:

- Timeliness issues in compensation
- Only 77% of incumbents in bilingual positions meet their linguistic requirements compared to 82% in the Public Service
- 63% of our executives met their bilingual requirements in March 2002 while an estimated 77% of our executives met their language requirements in October 2001



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

3. (Continued) Leadership in human resources reform that is in tune with business objectives

Year-to-Year Change: 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.*

Performance Drivers —

- Agency status brings new HR flexibilities
- External competition for qualified workers

4. Modern comptrollership regime that fosters management and service excellence

This year's rating (Year 2 of 5)



Last year's rating



Year-to-year change



Current-Year Performance (Year 2 of 5): The CCRA has advanced in establishing transparent and results-based planning, control, and accountability mechanisms that underpin modern comptrollership. Management believes that the 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.

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 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.

Year-to-Year Change: 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.*

Performance Drivers —

- Adequacy of governance and controls
- Adequacy of information system and of performance management systems
- Attitude and receptiveness of every employee
- Systems (IT) capabilities



Anticipated results met



Rating is based on good data quality



Anticipated results mostly met



Rating is based on reasonable data quality



Anticipated results not met



Rating is based on weak data quality

Performance by Business Line

Corporate Management and Direction




Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

5. Confidentiality of client information is protected
6. Canadians' desire for transparency in public administration is addressed

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: 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. With respect to processing privacy requests, we achieved a 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 a 93.7% compliance level, significantly up from 84.5% last year.

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 Auditor General 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.

Year-to-Year Change: 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.

Performance Drivers —

- Number of access to information and privacy requests by clients
- Service standards

7. Sound financial and treasury management

This year's rating	Last year's rating	Year-to-year change
		

Current-Year Performance: 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.

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.



Year-over-year performance change with respect to compliance agenda



Performance unchanged year-over-year with respect to compliance agenda



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

Performance Highlights Against Anticipated Results

Expected outcome:

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

Anticipated results

7. (Continued) Sound financial and treasury management

We expect to save about \$50 million from 2002-2006, due to administrative reform and renewal efforts. This year we completed 19 of 54 initiatives, including in the area of real property and facilities management. We also achieved 75% of our commitments for sustainable development (SD), including finalizing the SD Policy and Environment Policy and launching the SD Toolkit to support learning and 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.

Year-to-Year Change: 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.*

Performance Drivers —

- Total revenues administered
- Adherence to cash management policies
- Adequate investment and performance management

8. Operational excellence and solutions leadership in information technology

This year's rating	Last year's rating	Year-to-year change

Current-Year Performance: 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 Corporate Management and Direction 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.

Year-to-Year Change: We have met our anticipated result. Our aggressive 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.*

Performance Drivers —

- Government On-Line goals
- IT support for CCRA programs and infrastructure requirements



Performance by Business Line
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 and Beyond?
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 (see page 1-106). 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 MG 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 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)

Performance by Business Line

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 (Anticipated Result 7).





Moving Forward

DELIVERING ON OUR FIRST FIVE YEARS AS AN AGENCY

Sound planning extends well beyond an annual time horizon. Beginning in 1998, we planned around a five-year time frame to complete the transition to full-fledged agency operations, to include sufficient time for the reform and renewal of key internal capacities and to transform our core business.

Our *Corporate Business Plan* (2002-2003 to 2004-2005) establishes our strategic direction and priorities for the next three years. It sets out our four change objectives for our innovation agenda, as well as our plans to ensure that our day-to-day operations deliver high overall levels of compliance with the filing, border, remittance, and reporting obligations of businesses, Canadians, and travellers.

It establishes as a top priority, across all our business lines, the need to refine the criteria we use to assess performance, to make them more precise and more focused on outcomes, or results. This Annual Report is part of the process underway to meet that priority. While more work needs to be done, the performance criteria in this, our second Annual Report, are generally more descriptive and more results-oriented than last year.

We have made demonstrable progress in all of the areas we identified for improvement in the Road Ahead section of our first Annual Report. In all but three areas, most of which involve multi-year performance improvement initiatives, we are well on track. However, we need to accelerate our progress in the areas of performance measurement, performance against service standards, and the accuracy and reliability of our Human Resources data. Our corporate planning and reporting processes must be supported by rigorous and thorough performance measurement to achieve and sustain continuous improvement. At present, some CCRA business lines are reporting on performance at a higher level than others largely because there are inconsistencies in the types of performance information that is currently being used. Through our Balanced Scorecard, work is well underway that will standardize our approach to performance measurement. When completed and in place across all business lines, a standardized performance measurement system will help the CCRA fulfill its change agenda, strengthen the business reporting process, and improve the rigour and comprehensiveness of performance information in future annual reports. This is therefore a key priority for action in our 2002-2003 Performance Improvement Plan, as explained further on in this chapter.

Through Future Directions, we are taking account of stakeholder expectations and needs. While our first years as an agency were occupied with internal change, client needs are going to drive our efforts for the next several years. Our central vision for this period is compliance through client-centred service. We have exhaustively consulted key client groups—individual taxpayers and benefit recipients, small businesses, large corporations, charitable organizations, traders and travellers—in order to identify the changes and actions that are needed to ensure good performance and continued leadership in responsible and fair tax administration.

Further details of our Future Directions agenda will be elaborated upon in subsequent Corporate Business Plans, starting in spring 2003. Our client-centred approach will be realized through seven strategic directions that emerged during consultations:

- Expanded Electronic Services
- Account Manager Framework
- Customized Approach to Compliance
- Strengthened Partnerships and Co-operation
- Timeliness
- Transparency, Clarity and Simplification
- Workforce Development

THE CCRA'S KEY CHALLENGES

Delivering on our expected outcomes and achieving performance improvements strengthens the CCRA's overall ability to address a number of major challenges in our operating environment.

Our progress in modernizing border control systems and processes helps ensure that the Government of Canada addresses the **threat of terrorism** without unduly penalizing legitimate travellers, or undermining the efficient and timely flow of commercial goods across our borders.

Our targets for service improvement in Appeals, to reduce the time taken to resolve disputes and to apply the fairness provisions more consistently, coupled with our efforts in Tax Services and Benefit Programs to target high-risk areas to reduce non-compliance, are central to ensuring that the CCRA both delivers on its mandate and responds effectively to **economic factors**, such as changes in the business cycle. These factors have an impact on the demand for relief from penalties and interest, for example, and on tax compliance.

Our efforts to be more client-oriented and to make service satisfaction a key performance indicator are one way we are responding to **demographic trends** in our client base. As Canadians age and the diversity of the Canadian population increases, we need to continuously improve our ability to be responsive to the needs and circumstances of our clients. This includes our own HR profile, and the diversity of our workforce. The more representative we are of the Canadians we serve, the more capable we will be of responding to their needs and expectations.

As business continues to expand into the global economy, the CCRA will need to be able to move forward to remain at the forefront of **electronic commerce** through innovative policies and practices. New technologies offer dramatic potential to provide more comprehensive, more convenient, and more accurate service, at less cost. However, they also pose new compliance risks. We must ensure that our audit, validation, and control programs, and the IT systems that support them, are sufficiently sophisticated and robust to address this challenge.

All these trends mean that pressure is building on governments at all levels to respond in more client-oriented ways to an increasingly diverse range of needs and expectations. Greater economies of scale must be achieved with respect to public expenditures that support government administrative processes. For the federal government, **improved relationships with the provinces and territories** offer tremendous opportunities to develop more “single window” service-delivery arrangements, which will produce savings for the taxpayer and better program results for governments.

Driving performance improvement across all our business lines is the need to achieve tangible **administrative and human resources reform and renewal**. This is all the more crucial given that our workload fluctuates over time, due largely to the operating challenges mentioned above. We must ensure that we maintain adequate resource levels and that the resource adjustments (i.e., increases) made in 2001-2002 have maximum impact on our performance and service levels. To do so means strengthening our administrative capacities, including our ability to accurately identify and quantify workload “drivers” on a timely basis.

Delivering better results for our clients and partners on the “outside” demands that we achieve these kinds of demonstrable performance improvements on the “inside.” To ensure we can and do address the challenges we face in our operating environment, we must strive for **excellence in our internal administrative processes**, and in our people.



Moving Forward

PROGRESS AGAINST LAST YEAR'S PERFORMANCE IMPROVEMENT PLAN

In addition to reporting to Parliament and Canadians on the results we have achieved, **accountability** is a valuable tool to help our organization focus attention on areas where we must accelerate performance improvements. Our efforts to measure, assess, and report on our operational effectiveness inevitably involve identifying performance gaps. We need to concentrate our resources on these areas, developing the plans and making the changes necessary to become a more effective and innovative organization. **Accountability** also provides an important opportunity to acknowledge a job well done by our employees and managers.

Making the shift to results-based performance measurement is a major undertaking for the CCRA. We are implementing a state-of-the-art performance measurement framework (the Balanced Scorecard) that is backed by a sophisticated, activity-based costing system and an integrated management model. These management tools will help us establish integrated, results-based decision-making across the organization. We will also advance our own research on better ways to measure compliance.

Areas where improvements are required, particularly those for which a significant performance gap or weak data quality have been identified, are being addressed through various strategies and initiatives. These include our 2002-2003 to 2004-2005 *Corporate Business Plan*, performance improvement plans, and related accountability contracts for senior executives. In some cases, corrective measures have already been implemented. In other areas, improvements will be implemented over the next three years on a priority basis. However, in pursuing performance improvements, the CCRA is balancing its efforts to deliver on its change agenda with the paramount requirement of maintaining the integrity of our current program delivery systems.

Exhibit 18 highlights our progress against last year's performance improvement plans. More detailed plans for each business line can be found in the Main Points section of this report.

Exhibit 18: Progress Against Last Year's Performance Improvement Plan

Last year's Targeted Areas for Improvement*	Last year's Targeted Completion Date*	Status	On Track During 2001-2002?	Roll Forward Into the Performance Improvement Plan, 2002-2003?
Enhanced CCRA performance measurement	2003-2004	We are behind schedule in implementing the Balanced Scorecard, but we are redesigning it to begin better management performance reporting in 2002-2003.	✗	Yes See item 1 below
Improved performance against service standards	2001-2002	While we have made some improvements with respect to the most significant service standards, more effort is needed to close our performance gap overall.	✗	Yes See item 2 below
Target for level of tax debt is met	2001-2002	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 5 years old.	☑	Yes See item 3 below
Enhanced programs for enforcing tax compliance	2001-2006	We received additional funding from the Treasury Board to invest in compliance programs. We hired and trained 900 auditors, positioning us well to meet our higher audit coverage targets for 2002-2003 to 2004-2005.	☑	Yes See item 4 below

* Source: Prior-year Annual Report to Parliament (2000-2001), Exhibit 7, page 1-61.

Exhibit 18: Progress Against Last Year's Performance Improvement Plan – continued

Last year's Targeted Areas for Improvement*	Last year's Targeted Completion Date*	Status	On Track During 2001-2002?	Roll Forward Into the Performance Improvement Plan, 2002-2003?
Improved timeliness of disputes processing	2001-2002	We have not improved timeliness much. We are establishing targets for case completion to further reduce turnaround times. If met, these targets will lead to a substantial improvement in turnaround times in almost all program areas between 1998-1999 and 2004-2005.	<input checked="" type="checkbox"/>	Yes See item 5 below
Enhanced telephone accessibility	2001-2002	We expanded our 1-800 Canada Child Tax Benefit (CCTB) national telephone service. Caller accessibility improved modestly for GST/HST credit enquiries from 68% to 71%.	<input checked="" type="checkbox"/>	Yes See item 6 below
Enhanced border compliance, including a more comprehensive and integrated approach to risk management and quantitative performance information	2003-2004	We worked closely with U.S. and Canadian law enforcement agencies and resumed the risk management approach that is the cornerstone of our Compliance Improvement Plan. This will ensure the legitimate flow of trade without compromising the safety and security of Canadians.	<input checked="" type="checkbox"/>	Yes See item 7 below
Enhanced information technology infrastructure and support across business lines	Ongoing	Various systems were enhanced [e.g., Tax on Net Income (TONI), Standardized Accounting (SA/T2)], and ongoing maintenance of existing applications was carried out. Improvement plans (e.g., e-commerce platform, Business Intelligence/Decision Support) were initiated. The final components of our Information Technology (IT) Strategy were implemented ahead of schedule.	<input checked="" type="checkbox"/>	Yes See Item 8 below
Increased transparency across business lines	2001-2002	We implemented planned improvements to increase compliance with legislated timeframes for Access to Information requests. The Agency's performance rating is now Grade "B," as opposed to a "C" rating for 2000-2001.	<input checked="" type="checkbox"/>	No Fully Implemented
Effective response to HR challenges	2001-2004	Significant progress was achieved in 2001-2002. Highlights include the new MG Group, successes in collective bargaining, and a stronger Performance Management Regime. Improvements in learning were also recorded, with continued strong investments in CCRA-wide learning activities and the development of 25,000 individual learning plans.	<input checked="" type="checkbox"/>	Yes See item 9 below

☒ On track

☒ Mostly on track

☐ Not on track

* Source: Prior-year Annual Report to Parliament (2000-2001), Exhibit 7, page 1-61.



CCRA'S 2002-2003 PERFORMANCE IMPROVEMENT PLAN – PRIORITIES

Targeted Areas	Related Activities
Updated from last year (see Exhibit 18 on page 1-115 for more details):	
1. Enhanced CCRA performance measurement	Continue the implementation of the Balanced Scorecard (BSC) and the integration of clear performance targets into the performance measurement framework and accountability contracts with a view to completion within the next three years.
2. Improved performance against service standards	Improve the CCRA's overall performance against existing service standards. Also, review and, where appropriate, modify and expand existing service standards including the development of new ones to deal with aspects of our service delivery that go beyond timeliness (for example, accuracy, fairness and accessibility).
3. Target for level of tax debt is met	Prevent further deterioration in the level of accounts receivable as a percentage of gross revenue with a view to stabilizing the statistic. Continue the modernization of our accounts receivable program delivery systems, approaches, and mechanisms to improve overall account receivable performance and to better cope with ever increasing workloads.
4. Enhanced programs for enforcing tax compliance	Continue to develop and implement a more comprehensive compliance measurement strategy to identify major areas of compliance risk with an overall targeted completion of 2006. Implement associated programs such as audit protocol agreements and Underground Economy—Outreach, to address risks.
5. Improved timeliness of disputes processing	Implement recommended improvements to achieve the faster turnaround times reflected in our new multi-year targets for Appeals case completions.
6. Enhanced telephone accessibility	Pursue options to reduce the need for clients to call. For those who continue to call, reduce wait times and improve accessibility for telephone enquiries in line with our internal performance targets.
7. Enhanced border compliance, including robust risk management and performance measurement	Carry on with the rollout of the Customs Action Plan deliverables (including NEXUS and the Expedited Passenger Processing System), and accelerate implementation of key elements of the Compliance Improvement Plan. Also, within the context and timeframe for Balanced Scorecard, continue development of the customs performance measurement regime.
8. Enhanced information technology (IT) infrastructure	Having implemented the final components of our IT strategy ahead of schedule, next steps include building the capacity to process 75% of T1 returns electronically by 2005, among others.
9. Effective response to human resources (HR) challenges	Continue implementation of our new HR regime as per the <i>Corporate Business Plan</i> with a view to completion in 2004. Also, address other HR management issues such as HR data quality in Corporate Administrative Service, timeliness of internal compensation services, and improving our employees' language skills to facilitate the use of both official languages in the workplace.
New for this year:	
10. Enhanced client satisfaction surveys	Develop and implement an expanded integrated satisfaction survey for key client groups with reporting thereon by 2004.
11. Advancing modern comptrollership	Advance further our modern comptrollership agenda (as per commitments in our <i>Corporate Business Plan</i>) through such improvements as quarterly budgeting and reporting, integrated risk management, accrual accounting for tax revenues, and activity-based costing.
12. Modernizing financial systems and practices	As part of our overall solution addressing the T3 accounting error, modernize our financial systems and practices as necessary.



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR GENERAL'S ASSESSMENT of Performance Information

To the Commissioner of the Canada Customs and Revenue Agency
and to the Minister of National Revenue

Purpose and Scope

The *Canada Customs and Revenue Agency Act* requires the Auditor General to assess the fairness and reliability of the performance information in the Agency's annual report with respect to the objectives established in its corporate business plan.

The corporate business plan and the performance information in the annual report are the responsibility of Agency management. My responsibility is to provide an assessment of the fairness and reliability of the performance information in the Agency's 2001-2002 Annual Report. To do so, I assessed the information against criteria described in Annex 1 for fairness and reliability that were discussed with the Agency. I conducted my assessment in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants. The assessment included an analysis of the information and an examination on a test basis of the evidence supporting that information. I conducted my assessment to obtain an audit level of assurance for the relevant, meaningful, attributable and balanced criteria. However, I conducted my assessment work to support a review level of assurance for the criterion relating to the accuracy of data and performance information. I did not assess or comment on the Agency's actual performance.

The Canada Customs and Revenue Agency (CCRA) has reported its performance in a section of its annual report titled 'CCRA Performance Report'. My assessment covers the performance report, excluding the information that precedes the Executive Summary. My assessment does not include the additional performance information titled 'Comprehensive Discussion of Our Performance by Business Line in Support of 2001-2002 Annual Report to Parliament'.

Conclusion

Last year, I noted that the Agency had made an impressive start in telling its performance story in its first annual report. This year, I am pleased to report that the Agency has built on last year's strong and innovative foundation by making significant advancements in this year's report.

Overall, the report provides a fair and reliable account, in most significant respects, of the Canada Customs and Revenue Agency's performance. As the Agency recognizes, certain areas remain where more outcome-oriented performance measures and clearer performance standards need to be developed. I fully support management's commitment to continue to address these issues.

Assessment

The following presents the key findings of my assessment. They apply to all of CCRA's five business lines. The findings are organized according to the criteria used by us to assess the fairness and reliability of performance reports, which are described in Annex 1.

1. Relevance

Additional information has been provided on CCRA's external environment. "Performance drivers" have been added to the report that present, in bullet format, some of the environmental factors that impact the work of the business lines. This helps the reader to understand the environment and context in which CCRA operates.

There has been an overall improvement in reporting outcome-oriented accomplishments, although areas remain where additional progress is needed. A noteworthy improvement this year has been the inclusion of preliminary estimates of rates of compliance with trade legislation by importers as well as estimates of the rates of GST/HST registration and filing compliance among businesses. The addition of these measures helps improve the reader's understanding of some key compliance issues. An example of where more outcome-oriented performance measures need to be developed is in the area of client satisfaction. The current report focuses primarily on measures of satisfaction derived from surveys of individuals. Relatively little information is provided on levels of satisfaction by business clients and other stakeholders. The CCRA has indicated that it plans to develop a framework for enhancing its reporting on client satisfaction to provide results pertaining to all key client groups. More broadly, CCRA management has recognized, within the Agency's 2002 Performance Improvement Plan, the need to continue to make progress in reporting outcome-oriented accomplishments.

2. Meaningful

More graphs and comparative data have been included in the report. Comparing current year performance with that of prior years helps the reader to understand whether performance is improving over time. These comparisons will be even more meaningful when there are a number of years of comparative data, and if appropriate comparisons with other revenue and customs organizations could be provided.

CCRA's rating system clearly indicates the Agency's judgment with respect to each anticipated result as to whether performance has improved, stayed the same, or declined in relation to the prior year. This is a useful way to express whether progress is being made against those results where performance gaps have previously been identified.

Progress has been made in developing clear and concrete performance expectations, but more needs to be done. Expectations need to be clear and concrete so that the reader can readily understand the extent to which the Agency's actual results have achieved its anticipated results. In addition to introducing some new service standards and internal performance standards, the CCRA has made a step forward this year with the introduction of success criteria for each anticipated result. However, further work remains to make these criteria more clear and concrete. I recognize that this will take time to fully achieve.

3. Attributable

The CCRA has identified partners who have contributed to shared outcomes. The discussion for each business line this year includes a "Contribution of Others" section that clearly explains the role that others play in achieving outcomes that are shared with the CCRA.

The CCRA has made progress in reporting on the extent to which actual results are attributable to the Agency. The Agency has provided more information on the extent to which its activities have impacted the stated outcomes. I recognize that it is difficult to provide precise information as to the extent to which the Agency can separately identify its contribution to the results achieved. The Agency has agreed to continue to improve its reporting in this area.


4. Accurate

There is reasonable accuracy. The performance information we reviewed was adequately supported by appropriate corroborative data sources and other evidence, to a review level of assurance. Similar to last year, our assessment did not include a review of the spending profile section of each business line nor management's estimate of resources allocated to the compliance continuum. As CCRA has indicated, its legacy systems impair its ability to provide comprehensive costing information for the business lines.

When the quality or quantity of the data available to management in support of the performance story is deficient, the performance report adequately acknowledges this fact. Management has committed to continue to improve the quantity and quality of available data.

5. Balanced

Overall, the Agency has presented a balanced report. All aspects of the Agency's mandate are included in the report. The Agency has described problems and challenges it has faced, and has discussed situations where performance has not met objectives. The report highlights strong and weak performance, and discusses steps being taken and /or planned to improve performance.



Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
25 October 2002

**Criteria for the Assessment of Fairness and Reliability
Office of the Auditor General**

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

Relevant

The performance information reports in context, tangible and important accomplishments against objectives and costs.

Meaningful

The performance information tells a clear performance story, describing expectations and benchmarks against which performance is compared.

Attributable

The performance information demonstrates, in a reasonable fashion, why the program has made a difference.

Accurate

The performance information adequately reflects the facts, to an appropriate level of accuracy.

Balanced

A representative yet clear picture of the full range of performance is presented, which does not mislead the reader.

More information on the criteria is available on our Web site at www.oag-bvg.gc.ca.





Conclusion by the Commissioner

Our first two years as an agency have been impressive and challenging. I would personally like to recognize the effective contribution and professionalism of the Customs Border Services, and indeed, the teamwork of the entire CCRA, in responding to the events and aftermath of September 11. Further, through significant advances in the areas of human resources reform and renewal, administrative reform and renewal, and transparent management for results, we have now built a solid corporate infrastructure. It is now time to harvest the benefits of these improvements. To do so, we must channel all our energies into achieving major enhancements in service to Canadians. This is the reason we became an agency.

As we bring our review of 2001-2002 to a close, we can be proud that our consultations on business transformation with our clients, stakeholders, and employees have culminated in the launch of our Future Directions vision document. Future Directions will be the focus of our attention in 2002-2003 and beyond, and will define our agenda in the lead-up to our five-year review by Parliament.

We are determined to achieve performance advances in those areas that have a direct impact on our clients, and to keep setting the bar high. New service standards and performance targets will be introduced. More emphasis will be placed at the front line, where results count most. Canadians will continue to see a real difference in terms of timeliness, convenience, quality, and fairness, among others. In addition, we recognize that we have more to do to take advantage of the flexibility gained through agency status to achieve greater economies of scale with respect to public expenditures that support government administrative processes. Over the coming year, we must push forward and seize the opportunities for new partnership arrangements with other federal government departments and agencies, as well as with other levels of government.

I am proud of our employees and the way they have met the challenges we have faced over the past two years. They play a key role in achieving the major performance improvements we seek. With our new management group now in place, I am confident we can ensure that our employees have the necessary skills and knowledge to meet our clients' needs and to identify opportunities to improve front-line service to Canadians.

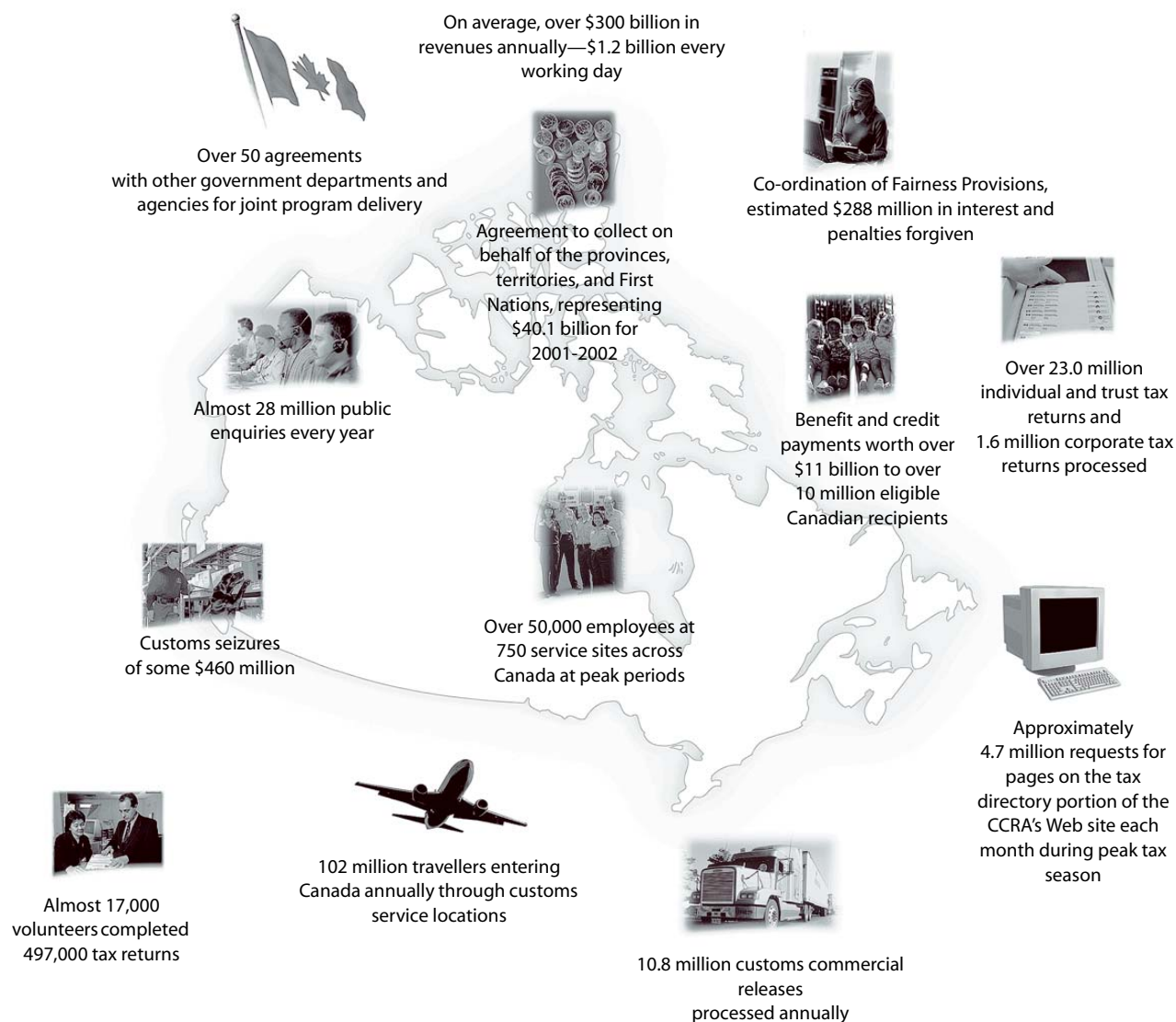
I am personally committed to the type of results-based reporting exemplified by this Annual Report. It is important that we account for our use of the resources Canadians have entrusted to us through Parliament in a way that is both transparent and balanced. Our accountability to Canadians rests on the candid examination of our achievements—both successes and areas for improvement—and on our ability to use this information as an effective management tool.

I look forward to working with our employees to achieve management and service excellence. Together we can meet the challenges before us.

Rob Wright
Commissioner
Canada Customs and Revenue Agency



The CCRA at a Glance





Board of Management

Michael L. Turcotte

Chair, Board of Management,
Corporate Director,
Montréal, Quebec

Camille Belliveau

Senior Consultant (self-employed)
Shediac, New Brunswick

Esmail Bharwani

Senior Business and Tax Consultant
Calgary, Alberta

L. Bernice Buckle

Small Business Owner/Operator (retired)
Corner Brook, Newfoundland

Calvin H. Buss

Office Managing Partner
Deloitte & Touche LLP
Winnipeg, Manitoba

Peter P. Dhillon

Vice-President and CEO
Richberry Farms Ltd.
Richmond, British Columbia

W. Grant Hinchey

Chairman and CFO
Nor-Dat Computer Services Ltd.
Yellowknife, Northwest Territories

Linda Yvonne Ivany

Director of Finance
Atlantic Region (retired) KPMG LLP
Halifax, Nova Scotia

Frédéric Kieffer

Chartered Administrator & Consultant
Montréal, Quebec

James L. MacPhee

Managing Partner
MacPhee & MacAulay Chartered Accountants
Montague, Prince Edward Island

Susan I. Paish

Managing Partner
Faskin Martineau
Vancouver, British Columbia

John Penner

School Principal (retired)
Swift Current, Saskatchewan

Stephen E. Rudin

Executive Director
Alzheimer's Society of Canada
Toronto, Ontario

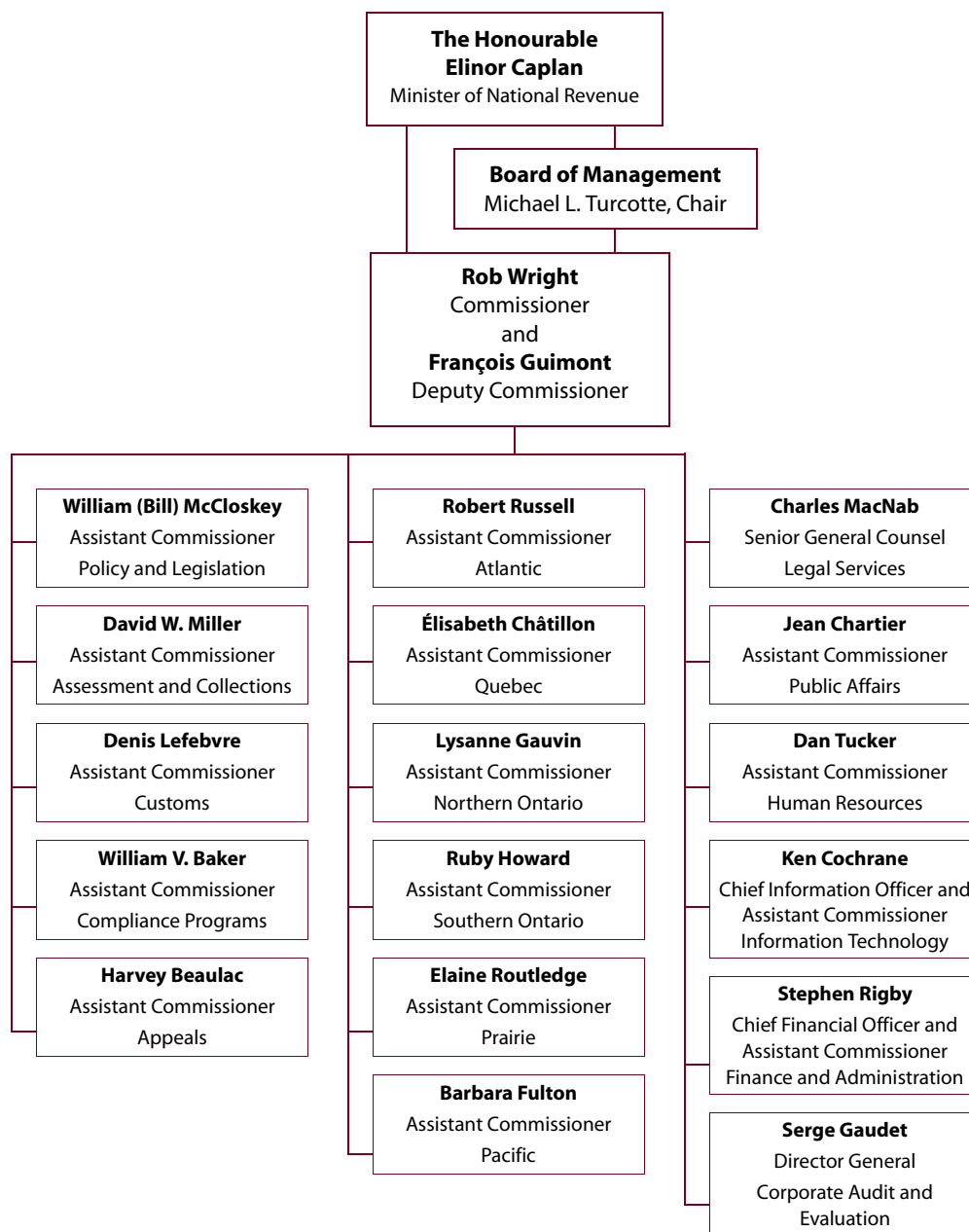
Brock Smith

Public Affairs Consultant
Toronto, Ontario

Rob Wright

Commissioner
Canada Customs and Revenue Agency
Ottawa, Ontario

Agency Organizational Structure



As of September 16, 2002



Schedules

Schedule A – The CCRA Performance Report Card

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 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	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. ↑ 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. 	1-42 1-42
	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. ■ 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. ↑ 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. ■ We again successfully communicated and implemented major legislative changes, including completion of Tax on Income (TONI) for remaining provinces and territories (except Quebec). ■ \$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. 	1-42 1-42 1-42 1-42 1-44
	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. 	1-46 1-46 1-46 1-46
	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. 	1-48 1-48 1-48
	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. 	1-50 1-50
	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. 	1-50 1-50
	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>. 	1-52
	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. 	1-52 1-52 1-52
	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. 	1-54 1-54
	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. 	1-54 1-54
Innovating for the Future (Year 2 of 5)	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. 	1-56 1-56

Benefit Programs and Other Services

Expected outcome – Canadians receive their rightful share of entitlements

Managing the Compliance Continuum	Anticipated results	This year's ratings	Last year's ratings	Variance	Actual results as demonstrated by	Page
	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. 	1-64 1-64 1-64
	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. 	1-64 1-64 1-64 1-64

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

Innovating for the Future (Year 2 of 5)	Anticipated results	This year's ratings	Last year's ratings	Variance	Actual results as demonstrated by	Page
	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. 	1-66 1-66 1-66 1-66 1-66

For more information on performance: www.ccr.gc.ca/annualreport

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

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				<div><div>■</div>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.</div> <div><div>↑</div>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.</div> <div><div>↑</div>Significant new investments made in contraband detection equipment to address emerging and ongoing threats.</div> <div><div>■</div>We continued to negotiate with several other government departments to strengthen our ability to identify and respond to external threats of all kinds.</div> <div><div>↑</div>We completed eight investigations, which resulted in 41 country-specific actions, to protect Canadian industries from dumped or subsidized imports.</div>	<div>1-74</div> <div>1-74</div> <div>1-74</div> <div>1-74</div> <div>1-74</div>	
	2. Effective compliance management that enhances personal and economic security, and encourages partnerships and sustained compliance.				<div><div>■</div>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.</div> <div><div>■</div>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.</div> <div><div>↑</div>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.</div> <div><div>↓</div>We have not progressed as quickly as we had anticipated with our Compliance Improvement Plan.</div>	<div>1-76</div> <div>1-76</div> <div>1-76</div> <div>1-76</div>	
	3. Responsible services that encourage voluntary compliance and minimize the compliance burden without compromising security.				<div><div>↑</div>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.</div> <div><div>↑</div>We refined and reintroduced our land border permit programs (i.e., NEXUS and CANPASS) to include heightened security screening.</div> <div><div>↑</div>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.</div> <div><div>■</div>Our annual survey indicates that about three fourths of all Canadians continue to feel that Customs is doing a good or very good job.</div>	<div>1-78</div> <div>1-78</div> <div>1-78</div> <div>1-78</div>	
	4. Certainty and consistency for international trade and travel.				<div><div>■</div>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.</div> <div><div>↑</div>We continued to work with the U.S. on such initiatives as the 30-Point Action Plan under the 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.</div>	<div>1-78</div> <div>1-78</div>	
	5. Knowledgeable and skilled workforce supported by the appropriate tools, information and technology to meet current and future program needs.				<div><div>↑</div>We completed the first phase of the Customs Human Resources Plan to evaluate and plan for the workforce we will need by 2005-2006.</div> <div><div>■</div>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 Smart Border Declaration, which will stretch our resource capacity even further</div> <div><div>↑</div>Our annual survey indicates that about 90% of Canadians who had dealings with Customs feel that Customs staff are knowledgeable and competent.</div> <div><div>↑</div>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.</div>	<div>1-80</div> <div>1-80</div> <div>1-80</div> <div>1-80</div>	
	Innovating for the Future (Year 2 of 5)	6. Core business is under transformation to better meet our mission				<div>We exceeded our performance expectations for year 2 of our change agenda, as demonstrated by:</div> <div><div>↑</div>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.</div> <div><div>↑</div>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.</div>	<div>1-80</div> <div>1-80</div>

For more information on performance: www.ccra.gc.ca/annualreport

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. 	1-88 1-88 1-88
	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. 	1-90 1-90
	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. 	1-92 1-92 1-92
	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. 	1-92 1-92 1-92 1-92
	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. 	1-94 1-94
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. 	1-94 1-94 1-94

For more information on performance: www.ccr.gc.ca/annualreport

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
Innovating for the Future (Year 2 of 5)	1. Effective governance regime that provides management oversight and leadership				<p>Overall, we are on track for the implementation of a mature and fully integrated governance regime:</p> <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. 1-102 ■ Oversight by the Board of Management is disciplined and demanding, bringing the interests of Canadians and business-like approaches into our management processes. 1-102 ↓ We must better integrate financial and non-financial information into our governance practices. 1-102 	
	2. A cultural shift under way and growing that puts decision-making in the hands of managers				<p>On balance, we believe that we met or exceeded our expectation in shifting the corporate culture towards values and empowerment:</p> <ul style="list-style-type: none"> ↑ Decision-making was placed more squarely in the hands of managers, who will power the cultural change. 1-103 ↑ Results-based management expectations are now embedded in performance agreements with almost 600 executives and over 3,000 MG group members. 1-103 ■ 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. 1-103 	
	3. Leadership in human resources (HR) reform that is in tune with business objectives				<p>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:</p> <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. 1-104 ↑ Commitments in the Corporate Business Plan flow through executive cadre performance agreements to more than 70% (28,749) of permanent employees' performance expectations. 1-104 ↑ 25,000 individual learning plans were developed by employees, exceeding expectations. 1-104 ■ Piloted the implementation of pre-qualified pools of candidates within the competency-based resourcing system. 1-104 ↓ Many employees are facing delays in receiving acting or overtime payments. 1-104 ↓ Some HR data in the Corporate Administrative System (CAS) is still unreliable, reducing the benefits of CAS. 1-104 	
	4. Modern comptrollership regime that fosters management and service excellence				<p>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:</p> <ul style="list-style-type: none"> ↑ An Agency Comptroller, at the Deputy Assistant Commissioner level, was appointed, and the Modern Comptrollership Office was established. 1-106 ↓ The Balanced Scorecard will improve reporting, but is behind schedule. 1-106 ↓ Insufficient priority given to investment in modernizing some of our financial systems and practices. 1-106 	
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%. 1-107 ↑ 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" 1-107 ■ Our business plan and annual report, and our open response to the T3 issue, demonstrate our commitment to transparency 1-107 	
	6. Canadians' desire for transparency in public administration is addressed					
	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. 1-107 ↑ 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. 1-107 ■ 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. 1-107 ■ Financial Information Strategy (FIS) Phase II was initiated. 1-107 ■ Continued timely implementation of the Sustainable Development (SD) Strategy. 1-108 	
	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 & 7. 1-108 ↑ 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. 1-108 	



Schedule B

Schedule B – Overall Performance Against Service Standards

	Service	Service Standard	Target	Results 1999-2000	Results 2000-2001	2000-2001 Compared to Target	Results 2001-2002	2001-2002 Compared to Target
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%	Not available	Not available	Not available	100%	✓
			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%	✗	RSP 73%	✗
					RIF 78%	☑	RIF 78%	☑
	13. Response to telephone enquiries regarding deferred income plans	Within 24-48 hours	100%	Over 80%	Over 80%	✓	100% (see note)	✓

✓ Met or exceeded target

☑ Target mostly met (at least 95%)

✗ Target not met

■ New or modified service standard

	Service	Service Standard	Target	Results 1999-2000	Results 2000-2001	2000-2001 Compared to Target	Results 2001-2002	2001-2002 Compared to Target
Tax Services - Client	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
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%	☑

✓ Met or exceeded target

☑ Target mostly met (at least 95%)

✗ Target not met

■ New or modified service standard

	Service	Service Standard	Target	Results 1999-2000	Results 2000-2001	2000-2001 Compared to Target	Results 2001-2002	2001-2002 Compared to Target
Review	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%	✗
Benefits	28. Processing CCTB applications	End of second month after month in which application is received	98%	90%	98%	✓	97% (see note)	☑
Customs	29. Release on minimum documentation (RMD) – EDI	45 minutes	100%	86%	84%	✗	79% (see note)	✗
	30. RMD – EDI machine release	5 minutes				Not available	See note	Not available
	31. RMD – Paper	2 hours			95%	Not available	100% (see note)	✓
	32. Pre-Arrival Review System (PARS) – EDI	1 hour				Not available	85% (see note)	✗
	33. PARS – Paper	2 hours			100%	Not available	93% (see note)	✗
	34. Land-border traveller wait time (customs booth clearance)	10 minutes Mon. to Thurs. 20 minutes Fri. to Sun. and holidays	100%		97%	☑	98%	☑
			100%		97%	☑	98% (see note)	☑
	35. 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
Appeals	36. 30-day meaningful first contact letter for objections, disputes, and appeals (new)		75%				82% (see note)	✓

✓ 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.

Standard 28: Information is based on sampling.

Standard 29: The percentage given is for releases processed on the ACROSS Worklist Platform within 45 minutes.

Standard 30: The monitoring of the five-minute processing standard for machine release is currently under development.

Standard 31: 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 32: 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 33: 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 34: 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 35: 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.

Standard 36: This standard excludes those, for example, involving pay equity disputes, those resolved within 30 days, invalid objections, and group objections dealing with a common issue.



Schedule B

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%
Customs Services	First Tier Automated Customs Information Systems (ACIS)	under development
Benefits Programs and other Services	Account maintenance/responding to correspondence related to Benefit Programs by the end of second month after month of receipt	under development

Improvements to Existing Service Standards for 2002-2003

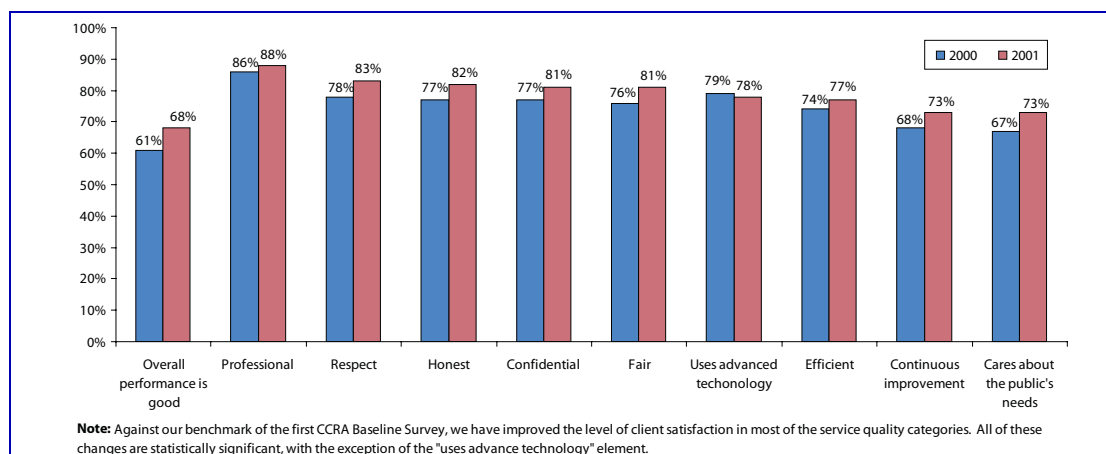
Improvements to existing standards in 2002-2003	
Tax Services	Counter wait-time – Development of consistent monitoring and reporting method
	Problem Resolution Program – Development of consistent monitoring and reporting method
	Processing fairness requests – Efforts will be directed to improving the 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
Customs Services	Improved monitoring to support reporting on existing service standards
Benefits Programs and other Services	Existing standards will be re-examined as program elements are re-designed and re-engineered and as the Agency moves towards more self-serve on-line application
Appeals	Target for 30-day meaningful first contact letter will be raised to 85%

Schedule C – Measuring Client Satisfaction

Our 2001 CCRA Annual Survey suggests that at least as many Canadians (68% compared to 61% last year) believe that CCRA is doing a good job overall. 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 20](#) for a comparison of our Annual Survey results and margins of error for the last two years.

As noted in [Exhibit 19](#) below, we also did reasonably well on nine other elements that were included in the survey.

Exhibit 19: 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.

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.



Schedule C

Exhibit 20: Annual Survey Results and Margins of Error

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?*	Page Reference
Rate the CCRA as doing a good or very good job overall	68%	± 1.74%	61%	± 1.86%	Yes	1-17, 1-28, 1-42, 1-138
Rate the CCRA as doing a very good job overall	12%	± 1.86%	9%	± 1.09%	Yes	1-17
Rate the CCRA as doing a good or very good job in area of income tax	74%	± 1.68%	71%	± 1.77%	Yes	1-39, 1-42
Agree that tax guides and materials are clear and simple to understand	69%	± 1.77%	67%	± 1.84%	No	1-44
Agree that Tax Services staff are knowledgeable and competent	85%	± 3.63%	80%	± 4.17%	No	1-54
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	1-64, 1-65
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	1-64, 1-65
Rate the CCRA as doing a good or a very good job when it comes to Customs	77%	± 3.15%	75%	± 3.62%	No	1-78
Agree that the Customs staff are knowledgeable and competent	90%	± 2.36%	88%	± 2.72%	No	1-80
Aware of the right to appeal an assessment made by the CCRA	71%	± 1.70%	69%	± 1.77%	No	1-88
Agree that the CCRA acts in a professional manner in its dealings with the public	88%	± 1.21%	86%	± 1.33%	Yes	1-138
Agree that the CCRA treats the public with respect	83%	± 1.40%	78%	± 1.58%	Yes	1-138
Agree that the CCRA is honest in its dealings with the public	82%	± 1.44%	77%	± 1.61%	Yes	1-138
Agree that the information that Canadians provide to the CCRA is treated confidentially	81%	± 1.47%	77%	± 1.61%	Yes	1-138
Agree that the CCRA acts in a fair manner in its dealings with the public	81%	± 1.47%	76%	± 1.63%	Yes	1-138
Agree that the CCRA uses advanced technology to provide services to the public	78%	± 1.55%	79%	± 1.56%	No	1-138
Agree that the CCRA is efficient	77%	± 1.57%	74%	± 1.68%	Yes	1-138
Agree that the CCRA is continually improving its service to	73%	± 1.66%	68%	± 1.78%	Yes	1-138
Agree that the CCRA cares about the needs of the public	73%	± 1.66%	67%	± 1.80%	Yes	1-138

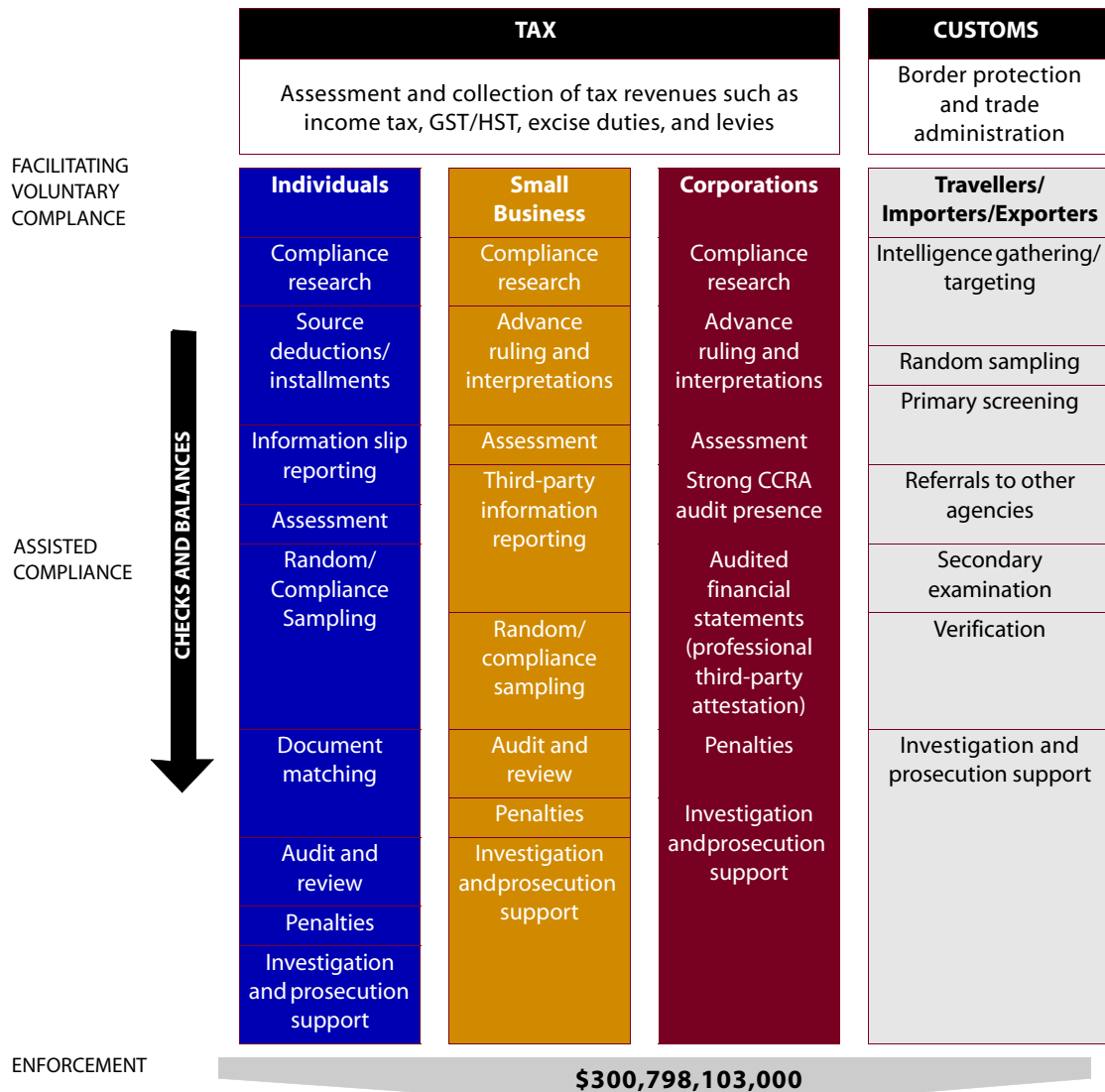
*Margin of error is accurate 19 times out of 20

**Significance of year-to-year change measured using 5% level of significance

Schedule D – 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 21: Robust Checks and Balances Support Tax and Customs Systems





Schedule D

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 22](#) 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 22: Understanding Tax Non-Compliance

Elements of Tax Non-compliance		Contributing Factors to Tax Non-compliance
Non-filing:	Taxes owing by individuals and businesses that have failed to file returns	<p>UNINTENTIONAL Taxpayers who are bewildered by complex tax rules and make unintentional reporting errors</p> <p>INTENTIONAL Taxpayers who deliberately choose to understate their tax liability, or overclaim credits and/or rebates, gambling that their non-compliance will go undetected</p> <p>Taxpayers who elect to take a favourable position on an ambiguous area of the tax laws that would not be sustainable if challenged</p> <p>Taxpayers who would like to fully pay their taxes, but face financial constraints that make payment not feasible</p>
Under-reporting:	Taxes that are under-reported on returns filed by individuals and businesses	
Non-remittance:	Taxes that are reported by individuals and businesses but not paid	

Schedule E – Glossary

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 examination 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.
Cancellation	The reversal of a penalty or interest that has already been assessed.
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.
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.
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.
Facilities Management	The ongoing day-to-day management of the Agency's Real Property portfolio.
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.

Schedule E

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).
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.
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.
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. The CCRA has identified six intermediate outcomes:</p> <ul style="list-style-type: none"> • Canadians voluntarily pay their fair share of taxes and the tax base, one of Canada’s most significant assets, is protected • Canadians receive their rightful share of entitlements • Canadians’ health, safety, security, and business interests are protected, and Canada’s competitiveness is facilitated through our borders • Canadians receive an impartial and timely review of contested decisions through our redress system • Provinces/territories and other government departments rely on the CCRA as a key service provider • Performance of our business services and operations are maximized through modern and innovative management approaches
Mission	An organization's mission statement provides the social, political and economic justification for its existence. The mission statement may be very short, and should reflect the organization's identity, its purpose, its desired response to key stakeholders, its philosophy and core values, and its ethical standards.
Modified Cash	When payables at year-end are also included in that year's expenditures.
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.
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 stakeholder can normally expect, including such elements as descriptions of the service to be provided, service pledges or principles, delivery targets, and complaint and redress mechanisms.
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>The CCRA has identified two strategic outcomes:</p> <p>That Canadians comply with tax, trade, and border legislation</p> <p>That the CCRA is seen as a leading-edge service organization</p>
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.



Schedule E

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.
Tax Year	The annual period for which taxes are being reported; for most individuals this would be the preceding calendar year.
Values	The guiding principles that define an organization's corporate culture and reflect its distinct character. These values may involve the kind of product or service to be produced/delivered, the kind of organization that it wants to be, or a managerial philosophy. Examples of values are professionalism, respect, co-operation, integrity, creative thinking, and dependability.
Vision	The vision clarifies what the organization should look like and how it should behave as it 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.

An Invitation to Rate *our Performance Report*

After reading **Accountability**, please tell us what you think. We welcome all suggestions for improvement. Please provide your comments by completing the evaluation form on our Web site, www.ccra.gc.ca/annualreport, or write to us at:

Corporate Governance and Accountability Division
Corporate Planning, Governance and Balanced Scorecard Directorate
Canada Customs and Revenue Agency
6th Floor, 555 MacKenzie Avenue, Ottawa, ON K1A 0L5

For more information, contact Basia Ruta, Director General, Corporate Planning, Governance and Balanced Scorecard Directorate, Finance and Administration Branch, by telephone at (613) 954-6082 or by email at: basia.ruta@ccra-adrc.gc.ca

