



Office of the Auditor General of Canada

2007–08 Estimates

Report on Plans and Priorities

Approved

Handwritten signature of Sheila Fraser in black ink.

Sheila Fraser, FCA
Auditor General of Canada

Handwritten signature of Jim Flaherty in black ink.

Honourable Jim Flaherty, P.C., MP
Minister of Finance

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Message from the Auditor General of Canada



Sheila Fraser, Auditor General of Canada
Photo by André Cormellier

I am pleased to present my Office's *Report on Plans and Priorities* for 2007–08.

As the Government of Canada's auditor, the role of the Office of the Auditor General is to assist Parliament in its oversight of government spending and operations. In other words, we help elected representatives to hold the government to account. We do this by providing fact-based information obtained through independent audits of federal departments, agencies, and most Crown corporations, which Parliament can use in its scrutiny of government spending and performance. Following professional standards, we examine the government's activities to determine whether it is carrying them out with due regard to economy, efficiency, and environmental impact, and whether it has measures in place to determine how effective they are. In addition to these performance audits, we conduct special examinations of Crown corporations, which are a type of performance audit. Our special examination reports are provided to the corporation's board of directors, and include an opinion on whether there is reasonable assurance that there are no significant deficiencies in the corporation's systems and practices. We also conduct annual financial audits of the Public Accounts of Canada, each of the three territories, and federal and territorial Crown corporations. We also conduct performance audits in the territories. In 2007–08, we plan to report the findings of 28 performance audits, 11 special examinations, and 130 financial audits.

The coming years provide us with significant challenges. Not only will our workload increase because of recent additions to our Crown corporation and performance audit mandates, but our audit work will also become more complex. We will have to adjust to new accounting and auditing standards, as well as an expected move to international standards. At the same time, 40 percent of our executives and 30 percent of their replacement group will be eligible to retire by 2009; the pressure to recruit and retain a strong employee base will increase as we will be competing with other federal organizations and the private sector.

We have set four priorities for ourselves over the coming year.

First, we will need to implement our expanded mandate. In 2005, federally funded foundations were added to our list for performance audits, three Crown corporations were added to our list for financial audits, and seven Crown corporations were added to our list for special examinations. In 2006 Parliament authorized us to "follow the dollar" to individuals, firms, partnerships, and corporations that have received at least \$1 million, in government funds over five years, though we intend to only rarely conduct "follow the dollar" audits.

Second, we will need to continue to ensure the quality of our audits by integrating new accounting and auditing standards in our audit practices.

Third, we plan to contribute to best practices in accountability, good governance, and effective public service by addressing the potential overload of controls in government. As I stated in 2006,

Our audit work . . . generally confirms that programs and activities cannot be error-proofed by building a web of controls, rules, and regulations into their design to ward off risk. In fact, where the risks are weighed and managed, intelligent risk taking is vital to any innovative, successful organization. Programs that are mired in controls and reporting requirements are not programs that focus most of their efforts and resources on improving the lives of Canadians. In several of the areas [audited in the last few years], we see a need for the government to review whether programs have too many rules and whether their administration could be streamlined to improve delivery. In many respects, the government needs fewer rules, but rules that are consistently applied.

Finally, in dealing with recruitment and retention of our staff, we will implement a multi-year recruitment and retention strategy and our new corporate action plan to maintain the positive results from our 2006 employee survey.

In addition to the strategic challenges identified above, our 2007–09 Sustainable Development Strategy reconfirms our efforts to integrate environmental and sustainable development issues in our audits of government activities.

To address all these challenges and implement our priorities, we are seeking an increase of \$4 million in our funding for 2007–08 and future years, and about \$2 million for one-time investments in technology. Our request has been reviewed by the Parliamentary Panel on the Funding of Officers of Parliament, who has recommended that we be provided with the additional funding. We thank the panel and Parliament for their continued confidence in our work.

We define how we conduct our work and ourselves by our set of values. We serve the public interest with independence and objectivity. We are committed to excellence and to providing a respectful workplace. We aim at sustaining public confidence by conducting ourselves, in everything we do, with honesty and integrity and in a manner that meets the highest standards of professional conduct. We strive to be a model organization for the federal government, by leading by example.

Our most recent employee survey indicated that 82 percent of staff believe that the Office is a good place to work. Our goal is to continue to strengthen our people management skills and processes, while meeting our responsibilities to Parliament.

The challenges ahead are significant, but I am confident that our dedicated and competent staff will pull together and meet them.



Sheila Fraser, FCA
Auditor General of Canada

12 February 2007

Management representation statement

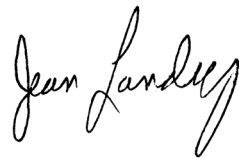
We submit, for tabling in Parliament, the *2007–08 Report on Plans and Priorities* for the Office of the Auditor General of Canada. Management of the Office is responsible for preparing this report, which

- is based on the Office’s results chain consistent with its approved program activity architecture;
- presents fair and reliable information;
- provides a basis of accountability for the results achieved with the resources and authorities entrusted to it;
- reports finances based on approved, planned spending numbers from the Treasury Board Secretariat; and
- is based on the reporting requirements outlined in the Treasury Board Secretariat guidance.

The Office’s Executive Committee oversees the preparation of the report, and approves it based on the advice of the Office’s Audit Committee.



Sheila Fraser, FCA
Auditor General of Canada



Jean Landry, CGA
Acting Comptroller

Ottawa, Canada

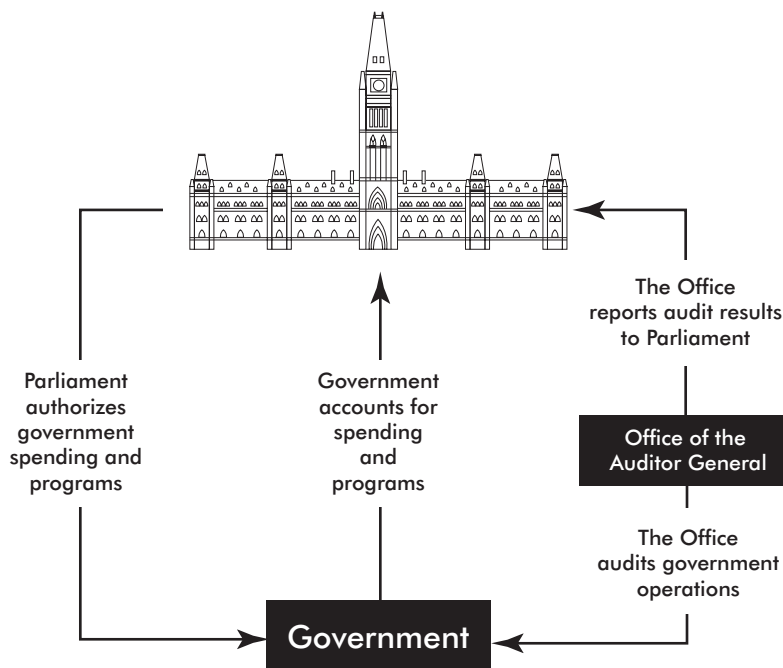
12 February 2007

Section I—Overview

Who we are

The Auditor General is an Officer of Parliament. She is independent from the government and reports directly to Parliament (Exhibit 1). She leads a dedicated team of some 600 professionals and support staff located in five offices across the country.

Exhibit 1 — The Auditor General's role as an Agent of Parliament



The *Auditor General Act*, the *Financial Administration Act*, and other acts and orders-in-council set out the duties of the Auditor General. These duties relate to legislative auditing and monitoring of federal departments and agencies, Crown corporations, territorial governments, and other entities that include international organizations.

Objectivity and independence. Maintaining our objectivity and independence from the organizations we audit is critical. Our independence is assured by a broad legislative mandate, freedom from certain government controls, and a 10-year mandate for the Auditor General.

What we do: Legislative auditing

The Office of the Auditor General of Canada conducts independent audits and studies that provide objective information, advice, and assurance to Parliament, territorial legislatures, government, and Canadians. With our reports and testimony at parliamentary hearings, we assist Parliament and territorial legislatures in their work related to the authorization and oversight of government spending and operations.

Our major subactivities. Legislative auditing, our main activity, consists of eight subactivities, two of these—professional practices and audit services—are supporting activities (see Exhibit 2 for further details of the six other subactivities).

The focus of our audits. We are responsible for carrying out audits and studies of the organizations to answer many important questions on behalf of Parliament and, in turn, Canadians at large.

Exhibit 2— The Auditor General answers many important questions	
Legislative audit subactivities ¹	Questions
Performance audits and studies of departments and agencies	Are federal government programs well managed? Did the federal departments and agencies run them with due regard to economy, efficiency, and their environmental effects? Does the government have the means to measure their effectiveness where it is reasonable and appropriate to do so?
Audit of the annual summary financial statements of the Government of Canada	Is the government presenting fairly its overall financial situation?
Financial audits	Is the annual financial information of Crown corporations, territorial governments, and other organizations presented fairly, and are they complying with their legislative authorities?
Special examinations	Do the systems and practices used by Crown corporations provide reasonable assurance that assets are safeguarded, resources are managed economically and efficiently, and operations are carried out effectively?
Sustainable development monitoring activities and environmental petitions	Are departments and agencies meeting the objectives and implementing the plans set out in their sustainable development strategies? Are ministers responding as required to environmental petitions?
Assessments of three annual performance reports	Are the Canadian Food Inspection Agency, Parks Canada Agency, and the Canada Revenue Agency presenting their performance information (published annually in their statutory reports) in a fair and reliable way?

¹These audits and studies are detailed in the *Auditor General Act* (sections 5, 6, 7, and 23) and the *Financial Administration Act* (Part X), and in the enabling legislation of the three agencies noted above.

Performance audits. Performance audits examine, against established criteria, whether government programs are being managed with due regard for economy, efficiency, and environmental impact, and whether measures are in place to determine their effectiveness. Our reports contain recommendations to address the most serious deficiencies identified.

The *Auditor General Act* gives the Office discretion to determine what areas of government to examine when doing performance audits. We may decide to audit a single government program or activity, such as pesticide regulation; an area of responsibility that involves several departments or agencies, such as the protection of cultural heritage; or an issue that affects many departments, such as the security of information technology. We consider requests for audits received from parliamentary committees; however, the ultimate decision about what to audit rests with the Auditor General.

The Office does not audit policy, nor any areas under the exclusive jurisdiction of provincial or municipal governments.

Financial audits. Our financial audits provide assurance that financial statements are presented fairly in accordance with Canadian generally accepted accounting principles or other relevant standards. Where required, we provide assurance that organizations comply with the key legislative authorities that govern their activities. We conduct financial audits of federal and territorial Crown corporations and other organizations, and financial audits of the summary financial statements of the Government of Canada and the financial statements of each of the three territories.

If issues or opportunities for improvement come to our attention during our financial audit work, we make recommendations to management and the boards of directors in areas such as financial reporting and internal controls.

Special examinations. A special examination assesses the financial management control and information systems and management practices of a Crown corporation and provides an opinion on whether there is reasonable assurance that there are no significant deficiencies. The *Financial Administration Act* requires all Crown corporations to have a special examination of their organization conducted by the Office once every five years, except for the Bank of Canada, which is not required to have a special examination and the Canada Pension Plan Investment Board, which, under its Act, is subject to a special examination by a private sector firm. The Office performs about 40 examinations over each five-year period. We refer to each five-year period as a “cycle.”

Who receives our reports

Our primary responsibility is to Parliament, and our relationship with parliamentarians is key to our effectiveness. However, certain of our reports are also provided to other groups as detailed below.

Parliamentary standing committees. The Auditor General's main relationship is with the House of Commons Standing Committee on Public Accounts. In turn, much of the work of the Public Accounts Committee draws on the work of the Office. The Senate Standing Committee on National Finance and other parliamentary committees also rely on our work.

The House of Commons Standing Committee on Environment and Sustainable Development, the Senate Standing Committee on Energy, the Environment and Natural Resources, and other committees draw on the work of the Commissioner of the Environment and Sustainable Development, who leads the environmental audit function within the Office.

Our performance audits are tabled in Parliament and published up to four times a year in the reports of the Auditor General of Canada and the Commissioner of the Environment and Sustainable Development. We report our opinion and observations on the summary financial statements of the Government of Canada in the “Public Accounts of Canada, Volume 1” and publish reports on the use of financial information and other significant issues in the Auditor General’s reports to Parliament.

Other Recipients. Financial auditors’ reports on Crown corporations are addressed to the appropriate Minister and published annually in the annual reports of these organizations. Financial auditors’ reports of other federal organizations are generally addressed to the minister or the head of the Corporation or other interested parties.

Financial auditors' reports on territorial governments and reports on other matters are published and presented to the territorial legislatures. These reports are discussed in hearings of the Yukon Standing Committee on Public Accounts, Nunavut Standing Committee on Government Operations and Accountability, and the Northwest Territories Standing Committee on Accountability and Oversight. Our opinion on the financial statements of the territorial governments is published annually in the public accounts of the territorial governments of Nunavut, the Yukon, and the Northwest Territories.

Our special examination reports are addressed to the boards of directors of the corporations involved. The legislation also states that we should bring the information in the report to the attention of the appropriate minister and of Parliament when we deem it appropriate. We do this in situations when, for example, certain types of significant deficiencies are present, such as those related to mandate issues, issues that only the government can address, issues of a governance nature, and when problems, previously reported, continue to occur.

What our governance structure is

The Auditor General. The Auditor General leads the Office, and as an Officer of Parliament, is accountable to Parliament for the Office's performance.

The Executive Committee. The Executive Committee provides overall professional and administrative direction for the Office. It sets policy and oversees all aspects of management and operations in the Office. It comprises the Auditor General, the Deputy Auditor General, the Commissioner of the Environment and Sustainable Development, and 11 assistant auditors general.

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

- **The Audit Committee.** It oversees the quality of audit practices and internal controls. The majority of its members are external to the Office, and it is chaired by a retired partner from a private sector chartered accounting firm.
- **The Panel of Senior Advisors.** It provides strategic advice on the work of the Office, and is composed of leading representatives from the private sector, the accounting profession, the academic community, as well as former senior public servants and former members of Parliament.
- **The Independent Advisory Committee.** It advises the Auditor General on the audits of the financial statements of the Government of Canada, Crown corporations, territorial governments, and other organizations. The Committee helps the Auditor General monitor developments in the accounting and auditing profession and considers their impact on the Office. This committee is made up of senior accountants and financial consultants.
- **Panels on Aboriginal issues.** They advise the Auditor General on matters affecting Canada's Aboriginal peoples, and include Aboriginal and non-Aboriginal leaders.

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

- **The Panel of Environmental Advisors.** It advises the Commissioner on his work and on environmental and sustainable development matters. It includes leading representatives from environmental groups, the private sector and the academic community, as well as former senior public servants.

Audit advisory committees. These committees advise on the objectives and approach of performance audits or special examinations, and on significant matters and findings to be reported. Members are experts with relevant experience from inside and outside the Office with a variety of backgrounds such as former senior public servants, and leading representatives from the private sector, academia, and First Nations.

Further information on the Office's organization is available in the organization chart in Section III and on our website under About Us.

How we are held accountable

Who audits the Auditor General? Each year, an external auditor appointed by the Treasury Board audits the Office's financial statements. Our financial statements are prepared on a full accrual basis of accounting, in accordance with Canadian generally accepted accounting principles.

These financial statements are included in our performance report, which is submitted to the President of the Treasury Board for tabling in the House of Commons.

The Auditor General's reports are reviewed and discussed in hearings of the Standing Committee on Public Accounts and 15 other parliamentary committees.

The Office is also subject to scrutiny by the Official Languages Commissioner on language issues, by the Public Service Commission on staffing and classification practices, by the Privacy Commissioner on adherence to the *Privacy Act*, and by the Canadian Human Rights Commission on the Office's compliance with the *Employment Equity Act*.

Who reviews our funding? The Auditor General prepares annual Estimates documents and the President of the Treasury Board submits them to Parliament. The House of Commons Standing Committee on Public Accounts calls on the Auditor General to explain the Estimates for the Office and to discuss our report on plans and priorities, our performance report, and our management practices.

The Office is funded by Parliament, in the same manner as government departments. Historically, like government departments, we negotiated the level of funding with the Treasury Board Secretariat, one of the organizations we audit. However, this process was not considered to be sufficiently independent to ensure that our budget is appropriate for meeting Parliament's expectations.

In 2005, the government committed to implementing a pilot project for a new funding and oversight mechanism for the 2006–07 and 2007–08 Estimates processes for all officers of Parliament. The new mechanism, involving a parliamentary oversight panel, seeks to respect the role of Parliament and the independence and distinct mandates of its officers, and also to reflect the responsibility of the government for sound stewardship of public resources.

When an Officer of Parliament develops a submission for the Treasury Board, the panel reviews both the submission and Treasury Board Secretariat's assessment of the submission. The panel then provides advisory recommendations for consideration by the Treasury Board.

The Auditor General appeared before the panel in November 2006, requesting approximately \$4 million in additional, ongoing funding and about \$2 million in one-time funding. The panel unanimously agreed to recommend the requested funding increases to the Treasury Board.

This increase in funding is reflected in the financial tables presented later in this Report on Plans and Priorities.

Who assesses our audit methodologies? Our audit work is guided by a rigorous methodology and quality management framework. The framework provides reasonable assurance that our audits are conducted in accordance with established standards of professional practice.

To ensure that our quality management framework is suitably designed and operating effectively, we subject it to external reviews by peers. We also conduct internal practice reviews. We publish summaries of our practice reviews and peer reviews on our website under About Us.

- **Practice reviews.** We conduct internal practice reviews of our financial audits, performance audits, special examinations, and assessments of agency performance reports to assess their quality and compliance with Office policies and professional standards. The reviews assure the Auditor General of the quality of our audits and identify good practices and areas for improvement. We will conduct about 10 practice reviews in the coming year.
- **External peer reviews.** The Office requests periodic external reviews of its audit practices. In 2003, an international team of legislative auditors carried out a peer review of the Office's quality management framework for performance auditing. In 1999, we hired an audit firm to assess our quality management system for annual financial audits. Both reviews concluded that our quality management frameworks were suitably designed and operating effectively. They are available on our website under About Us.

The provincial institutes of chartered accountants review our compliance with professional standards for financial audits, in order to determine whether our training of chartered accounting students meets their requirements. These reviews have concluded that we are following professional standards and meeting their training requirements.

We conduct internal audits of our management and administration practices to assure the Auditor General that the Office is complying with government and Office policies. They also provide managers with assessments and recommendations. We normally conduct one internal audit per year. Executive summaries are published on our website.

Section II—Strategic framework and planning priorities

Our strategic framework and results chain

The long-term strategic outcome of the Office of the Auditor General is to contribute to better managed government programs and better accountability to Parliament through our legislative auditing. We use a results chain to describe our strategic outcome and to show how we expect to make a difference. The results chain links what we do (conduct audits and other assessments) and what we deliver (audits, studies, opinions, information, and advice) to the results we expect to achieve in the short, medium, and long terms. It also describes the various stakeholders and their contributions to improving government operations (see page 18 under Section III—Supplementary information).

The strategic framework of the Office of the Auditor General presents our vision and our values that guide our work (Exhibit 3).

Exhibit 3—The strategic framework of the Office of the Auditor General of Canada

Our vision

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

We promote

- accountable government,
- an ethical and effective public service,
- good governance,
- sustainable development, and
- the protection of Canada’s legacy and heritage.

We do this by

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

Our values are

- serving the public interest,
 - independence and objectivity,
 - commitment to excellence,
 - respectful workplace,
 - trust and integrity, and
 - leading by example.
-

Our program activity

The Office has one program activity—legislative auditing. Legislative auditing, as noted earlier, consists of eight subactivities, two of which are supporting activities: professional practices and audit services. The four largest subactivities are

- (1) performance audits and studies;
- (2) the audit of the summary financial statements of the Government of Canada;
- (3) financial audits of Crown corporations, territorial governments, and other organizations; and
- (4) special examinations of Crown corporations.

Table 2 under Section III—Financial tables provides summary information on the Office’s financial and human resources and subactivities.

Our planning priorities

The Office has identified four strategic challenges that were taken into consideration when setting out the planning priorities for the coming year.

Integrating changes to professional standards. A crucial aspect of the Office’s success is the calibre and professionalism of its staff. All staff must be fully trained, apprised of new developments at the professional level, and within the public service, and provided with clear guidance as to how to carry out their work.

With this objective in mind, the Office has committed to four areas of activity for the coming fiscal year.

- First, the Office will expand the use of professional update sessions to include all types of audits. In past years, these sessions were limited to financial audits.
- Second, efforts will be made to improve collaboration between the professional development team, the methodology teams, and Office specialists.
- Third, the role of our Learning Committee to provide advice on professional development content and process will be clarified.
- Finally, the role of the specialists will be reviewed in terms of what part they should play in training and methodology development.

Integrating changes to our mandate. The Office has recently had to take into consideration additional factors in its audit selection and planning efforts. In 2005, Parliament expanded the mandate of the Office through the *Budget Implementation Act*. This Act amends both the *Auditor General Act* and the *Financial Administration Act*—the main pieces of legislation that govern our work.

- The expanded mandate allows the Office to include in our performance audits certain foundations that have received large amounts of federal funding. These foundations are non-profit corporations that are entrusted with public money to fulfill significant public policy roles.
- We were also named as auditors of three additional Crown corporations—Canada Post, the Canadian Race Relations Foundation, and the Public Sector Pension Investment Board—making us the auditors or joint auditors for all but two of the government’s Crown corporations.

The excluded Crown corporations are the Bank of Canada and the Canada Pension Plan Investment Board. These three Crown corporations will be included in our next round of special examinations, along with a further four that are now subject to special examination requirements: Canada Council for the Arts, Telefilm Canada, The National Arts Centre, and the International Development Research Centre.

- Most recently, the *Federal Accountability Act* has expanded the Office's mandate even further by including other types of organizations that have received relatively smaller amounts of federal funding; we rarely expect to use this new mandate. It is management's job, in departments and Crown corporations, to ensure that grants, contributions, and loans, provided to individuals or institutions outside the federal government achieve their intended purposes. Our role is to determine whether appropriate systems and procedures are in place and how well they are working. We report the results to Parliament and provide recommendations where improvement is needed.

The Office will integrate these mandate changes into the risk assessment and audit planning cycle during the coming year.

As a result of the expanded mandate and other new and additional work, the Office is seeking an increase in funding for 2007–08 of approximately \$4 million for ongoing expenses and about \$2 million for one-time investments in technology. This additional funding will be used for work related to the following:

- seven additional Crown corporations now subject to special examinations requirements under the *Financial Administration Act*;
- five extra financial audits including three Crown corporations, the Public Service Commission, and the National Research Council;
- the audit of control procedures at the Canada Revenue Agency in response to requirements under new federal/provincial tax collection agreements;
- the increasing number of performance audits in each of the three territories to better serve their legislatures;
- strategic investments in recruitment, methodology, and training;
- the replacement of our existing financial systems and the implementation of the Government of Canada's information-management-system policies.

Contributing to good practices in accountability, governance, and effective public service.

From time to time, we note issues or trends that emerge from a number of our audits. One current example is the weight of controls and reporting requirements impacting the delivery of federal government programs. In many respects, we believe that fewer rules, but rules that are consistently applied, would be more effective. In the coming year, the Office will identify options as to how it might appropriately contribute to addressing this issue.

Investing in recruitment and retention. In the coming years, the Office will need to strengthen its recruitment and retention efforts. Workload will increase due to an expanded audit mandate. Rising turnover and retirement rates and increased recruitment by federal departments will add to the demand for available talent. The Office has started developing a multi-year recruitment and retention strategy to respond to these pressures. The strategy will be accompanied by additional investment in methodology and training.

An employee survey carried out in 2006 indicated that 82 percent of staff believe that the Office is a good place to work and that 92 percent are proud to be a part of the Office. These results were very good, and unlikely to improve. Therefore, our goal is to maintain these satisfaction levels with a particular focus on continuing to strengthen our people management skills and processes. A corporate action plan has been developed that addresses issues in six different areas (Exhibit 4). The employee survey will be repeated every two years.

Exhibit 4—Corporate action plan in response to the 2006 employee survey

A corporate action plan was developed that covers the following areas:

- supervisory effectiveness,
 - training of employees,
 - the promotion process,
 - career development,
 - staffing of positions, and
 - effective communications.
-

Working internationally. A further planning priority of the Office for the coming year is our international strategy. The strategy ensures that the Office’s involvement with international organizations and in conducting audits of international institutions is aligned with the interests of Parliament and the Government of Canada.

The strategy has the following four goals for the 2007–09 planning period:

- Increase our involvement in international standard setting and the adoption of international standards.
- Develop with the Canadian International Development Agency an understanding of how we can best target our capacity-building efforts, consistent with the government’s international development priorities.
- Re-focus our knowledge-sharing activities to provide maximum benefit to our auditors.
- Work with Foreign Affairs and International Trade Canada to promote better managed and accountable international institutions through our involvement in auditing international organizations.

The Office is continuing discussions with Foreign Affairs and International Trade Canada about the role of the Office in the audit of United Nations agencies. Our audit mandate for UNESCO ended in 2006–07. With the support of the department, we have recently submitted a bid to become the auditor of the International Labour Organization (ILO) commencing in 2008.

The Auditor General will conclude her term as the Chair of the Working Group on Environmental Auditing of the International Organization of Supreme Audit Institutions (INTOSAI). Over the coming year we will be working to ensure a smooth transition with the incoming Chair.

Integrating sustainable development. In addition to the strategic challenges noted above, the Office’s 2007–09 Sustainable Development Strategy reconfirms our efforts to integrate environmental and sustainable development issues into our audit planning and conduct. Exhibit 9 on page 21 under

Section III—Supplementary information sets out the Office’s key commitments and targets related to sustainable development for the coming year.

Our plans and performance targets

Serving Parliament. To best serve Parliament, our primary client, we have set out a parliamentary strategy that includes the following four objectives:

- communicate our messages clearly to Parliament,
- promote the role and work of the Office,
- ensure that our work remains relevant and useful to parliamentarians, and
- maintain the Office’s credibility with Parliament.

We measure our overall success by surveying parliamentarians and monitoring parliamentary responses to our reports. In 2007, we plan to survey those parliamentarians most closely involved in the review of our reports and to continue administering this survey annually.

One of the most important factors determining whether or not the Office is successfully fulfilling its mission is the degree to which our reports are seen as offering objective assurance and information to Parliament and the government, along with recommendations that guide corrective actions. If the reports reflect the public interest, while maintaining a high degree of independence and objectivity, the Office will be seen as an organization with integrity and as an organization that can be trusted.

To this end, the Office has set out objectives to ensure the usefulness of our reports to parliamentarians. The specific targets related to these objectives are set out in Section III—Supplementary information. The results related to these targets are tracked using a survey of parliamentarians to be carried out annually.

The specific areas of enquiry included on the survey include whether

- the findings included in the reports are objective and fair,
- the recommendations included in the reports are realistic and focused,
- the reports and recommendations are clearly written, and
- the Office’s appearances before parliamentary committees are seen as adding value.

In addition to the plans and targets set out with respect to our role in serving Parliament, the Office has also established plans and performance targets for each of our four major subactivities: performance audits; financial audits; the audit of the summary financial statements of the Government of Canada (public accounts); and special examinations.

Conducting performance audits. Our performance audits are published up to four times a year in reports of the Auditor General of Canada and the Commissioner of the Environment and Sustainable Development. In 2007–08, we plan to report on the findings of 28 performance audits. The schedule for the coming year is shown on pages 21 and 22.

The Office regularly carries out surveys involving the organizations we audit. The results from these surveys help the Office analyze its performance and plan for any necessary correction or improvements. Following the tabling of a performance audit report, each organization that was subject to these audits is surveyed. The questions cover areas of interest such as

- whether our work is seen to add value,
- whether the users of our reports are engaged in the audit process, and
- whether the organizations we audit respond to our findings.

Details of the specific targets related to these areas of study are provided on pages 19 and 20 under Section III—Supplementary information.

In addition to our surveys, we also consult with the organizations we audit as part of our planning process. This process is a risk-based approach to audit planning that involves the development of a multi-year audit plan for each significant federal government organization subject to audit. It involves discussions with key senior managers, as well as a review of critical documentation, of the entities subject to audit.

The Office has also established measures and targets to ensure that our performance in terms of delivering reports in accordance with our quality management framework, on time and on budget is being appropriately tracked for the purpose of diagnosis and improvement, should some of the targets be missed. Details of these targets are included on pages 19 and 20 under Section III—Supplementary information.

Conducting financial audits. The Office has statutory responsibilities for the audit of the summary financial statements of the Government of Canada, the financial statements of the territorial governments, and the financial statements of federal and territorial Crown corporations and other entities. This year we will conduct more than 130 financial audit and other assurance engagements.

We conduct various surveys of these organizations to measure the perceived relevance and usefulness of our audit work. Every two years, the organizations that have been subject to a financial audit during that period are surveyed.

Details of the specific set targets related to these areas of study as well as to other areas of performance related to the completion of our financial audits are provided on pages 19 and 20 under Section III—Supplementary information.

Conducting special examinations. The Office performs about 40 examinations over each five-year period (cycle). We are currently concluding the fourth cycle of special examinations of Crown corporations. In 2007–08 we will report the special examinations of the organizations listed on page 23 under Section III—Supplementary information.

As with our performance audits and financial audits, the organizations subject to special examinations are surveyed about the relevance and usefulness of our work. Details of the specific set targets related to these surveys, as well as targets related to other areas of management, are provided on pages 19 and 20 under Section III—Supplementary information.

Providing a respectful workplace. Our values of a respectful workplace, trust and integrity, and leading by example define how we conduct our work and ourselves. In addition, the Office strongly supports and integrates in all of its human resource activities the values of competency, representativeness, non-partisanship, fairness, employment equity, transparency, flexibility, affordability, and efficiency. Since 2005, 50 percent of managers' performance pay has been tied to their ability to manage their human resources.

The Office is tracking its progress against a set of targets related to creating a respectful workplace. The specifics of these targets are included in Section III—Supplementary information.

Working collaboratively. Within Canada, the Office works with the 10 provincial legislative auditors through the Canadian Council of Legislative Auditors (CCOLA) to

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

Office staff are also involved in many professional organizations in Canada. Currently the Office is represented on two Canadian Institute of Chartered Accountants committees, by

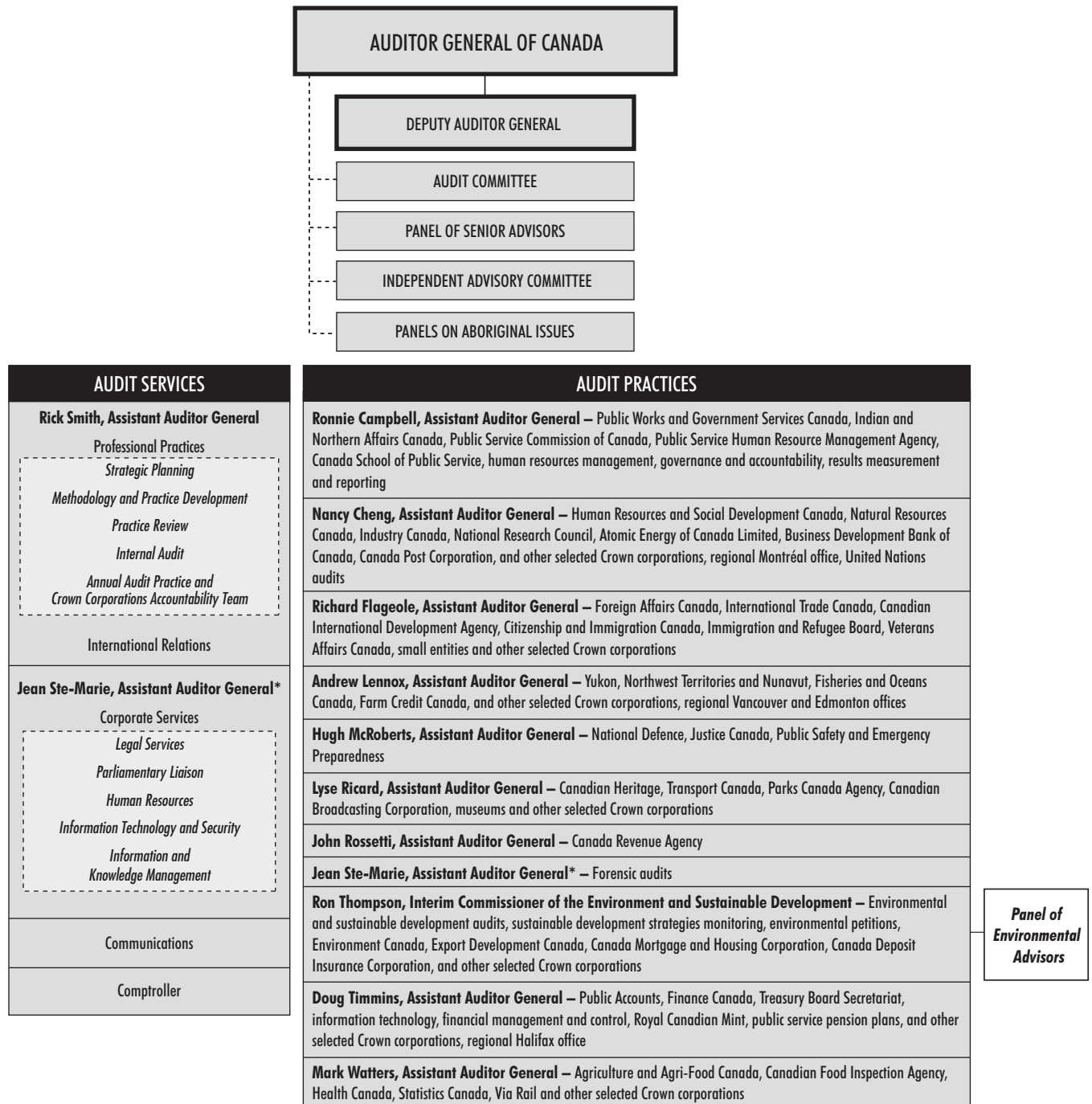
- the Deputy Auditor General on the Public Sector Accounting Board, which sets accounting standards for the Canadian public sector; and
- one of our assistant auditors general, who sits as the chair of the Auditing and Assurance Standards Board.

Section III—Supplementary information

Organizational information

Exhibit 5 is an organizational chart showing the management and staff of the Office of the Auditor General.

Exhibit 5—Organizational chart

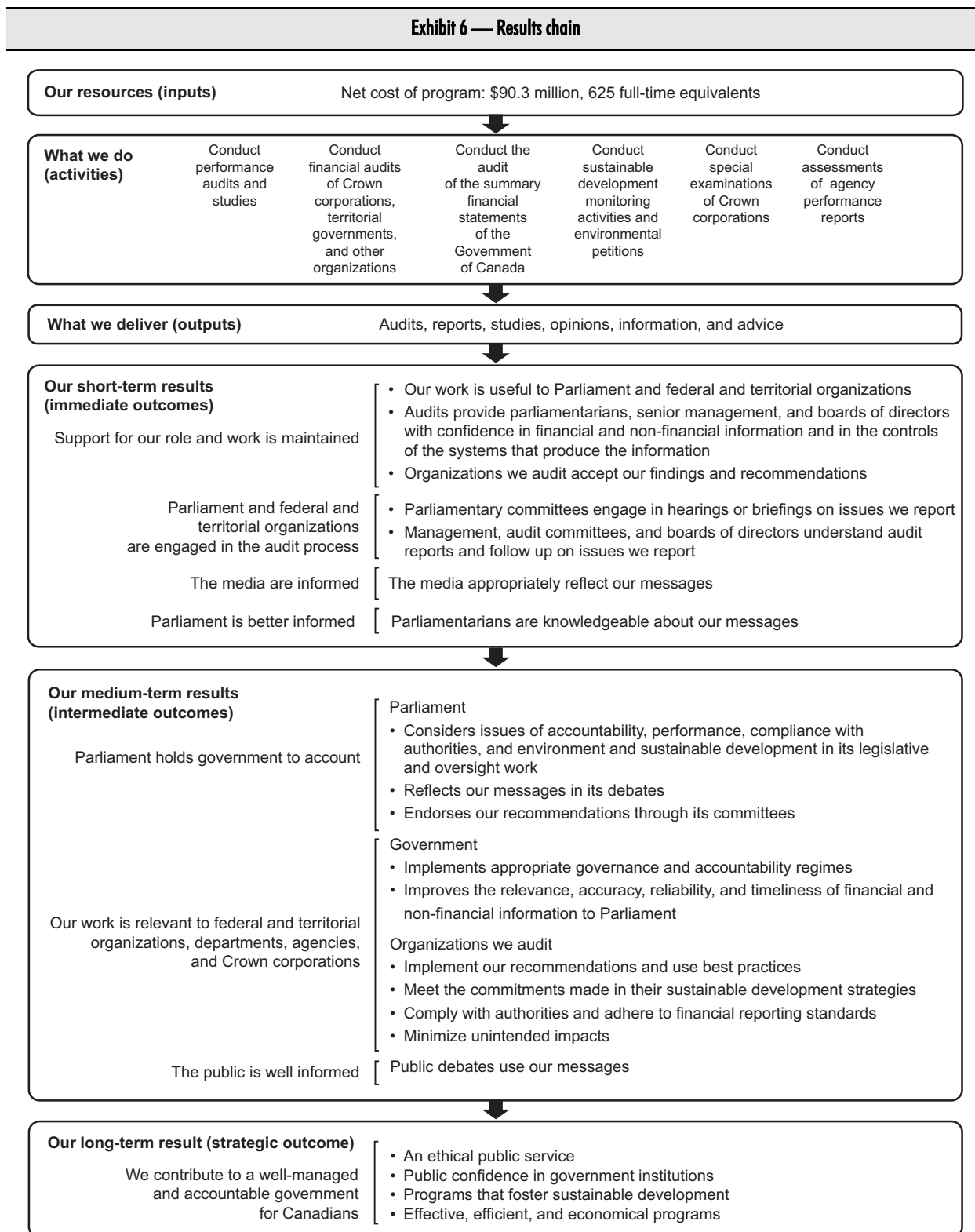


*Assistant Auditor General is responsible for more than one portfolio.

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Our strategic outcome and results chain

The results chain shows the relationship between inputs, activities, outputs, and results (Exhibit 6).



Our performance measures, indicators, and targets

The performance indicators and targets involve items for which the outcome is not entirely under the control of the Office (Exhibit 7).

Exhibit 7—Summary of our performance indicators and targets			
Objectives and indicators	Latest actual	2006-07 Target	2007-08 Target
Our work adds value for the key users of our reports			
Percentage of parliamentary committee members who find our performance audits add value	New indicator	No target established	75
Percentage of audit committee chairs who find our financial audits add value	77 ¹	75	75
Percentage of board chairs who find our special examinations add value	89 ²	No target established	75
Our work adds value for the organizations we audit			
Percentage of departmental senior managers who find our performance audits add value	60 ³	50	65
Percentage of Crown corporation and large department senior managers who find our financial audits add value	66 ¹	75	75
Percentage of Crown corporation chief executive officers who find our special examinations add value	77 ²	No target established	75
Key users of our reports and the organizations we audit respond to our findings			
Percentage of performance audit recommendations reviewed that are endorsed by the Public Accounts Committee	74 ³	75	75
Percentage of performance audit recommendations implemented four years after their publication	44 ³	No target established	50
Percentage of qualifications that continue from one financial audit to the next	0	0	0
Percentage of significant deficiencies that continue from one special examination to the next	10 ²	0	0
Our quality management framework (QMF) is operating effectively			
Percentage of external peer reviews that find our QMF suitably designed and operating effectively	100	No target established	100
Percentage of internal practice reviews that find our audits in compliance with our quality management frameworks	100 ³	No target established	100
Key users of our reports are engaged in the audit process			
Number of parliamentary hearings and briefings we participate in	33 ³	No target established	No target established
Percentage of performance audits reviewed by parliamentary committees	45 ³	No target established	No target established

¹ Average of the results from previous two surveys

² Results to date from the fourth cycle of special examinations

³ Average of previous three years' results

The performance measures and targets involve items for which the outcome is largely under the control of the Office (Exhibit 8).

Exhibit 8—Summary of our performance measures and targets			
Objectives and measures	Latest actual	2006-07 Target	2007-08 Target
Our work is delivered on time and on budget			
On time:			
Percentage of performance audit reports tabled in the House of Commons on the planned tabling date as published in the RPP	73 ¹	No target established	100
Percentage of financial audits completed on time ²	New measure	No target established	100
Percentage of special examination reports delivered on or before the statutory deadline	45 ³	No target established	100
On budget:			
Percentage of audits that meet their budget hours			
• Performance audits	65 ⁴	No target established	70
• Financial audits	54 ¹	No target established	70
• Special examinations	64 ³	No target established	70
Providing a respectful workplace			
Percentage of employees who believe the Office is either an above-average place to work or one of the best places to work	82	70	80 ⁵
Percentage of 1) assistant auditors general, principals and 2) directors in bilingual regions, who meet our language requirements	1) 62 2) 58	1) 100 2) 75	1) 100 2) 75
Percentage representation of workforce availability for women; people with disabilities; Aboriginal peoples; members of visible minorities	105; 108; 74; 68	100	100
Percentage turnover of audit professionals	14.7	10	10

¹ Average of previous two years

² "On time" means the statutory deadline where one exists (usually 90 days after year end), or 150 days after the year end where no statutory deadline exists.

³ Results to date from the fourth cycle of special examinations

⁴ Average of previous three years' results

⁵ The next survey will be conducted in 2008-09.

2007–08 Selected sustainable development commitments and targets

Exhibit 9—Sustainable development commitments and targets	
Commitment	Target
Finalize the strategic audit plan for the Commissioner of the Environment and Sustainable Development	By 2008
100 percent of teams that conduct one-pass plans and performance audits will apply the 4th E Practice Guide	By the end of 2007
Build a small specialist team dedicated to providing environmental and sustainable development advice and audit assistance	By 2008
Provide our auditors with new training on the identification of environmental and sustainable development risks that are applicable to federal government organizations	Starting in 2007
Refine and improve our generic audit criteria for environmental management in Crown corporations	In 2007
Provide enhanced support and advice to audit teams conducting special examinations in 100 percent of cases, where important environmental risks for Crown corporations have been identified	Starting in 2007

Our planned performance audits

May 2007

- Farm Income Support Programs
- Management of Human Resources at Foreign Affairs and International Trade
- Federal Loans and Grants for Post-Secondary Education
- Use of Acquisition and Travel Cards
- Legal Services for the Government of Canada
- Modernizing Canada's NORAD Systems—National Defence
- Management of Forensic Laboratory Services—Royal Canadian Mounted Police

October 2007

- Training and Learning—Canada Revenue Agency
- Balancing Security and Facilitating Trade—Canada Border Services Agency
- Military Health Systems—National Defence, Veterans Affairs Canada
- Management of the Quality of Data from the 2006 Census
- Management and Control Practices in Small Entities
- Industrial Security Program—Public Works and Government Services Canada
- Inuvialuit Final Agreement
- Research and Innovation

Report of the Commissioner of the Environment and Sustainable Development

- Environmental Petitions
- Sustainable Development Strategies—Are They Making A Difference?

February 2008

- Managing Selected Substances under the *Canadian Environmental Protection Act*
- Managing Selected Aspects of Pesticides
- Managing Selected Aspects of Federal Contaminated Sites
- Federal Protected Areas
- Species at Risk
- Aquatic Invasive Species
- Areas of Concern in the Great Lakes
- International Environment Agreement
- Strategic Environmental Assessments
- Greening of Government Operations
- Environmental Petitions

Territorial Performance Audits

February 2007

- Transportation Capital Program and Property Management—Department of Highways and Public Works (Yukon)

May 2007

- Report on the Northwest Territories' Housing Corporation

June 2007

- Audit of the Financial Assistance Program for Nunavut Students—Department of Education

November 2007

- 2007 Canada Winter Games (Yukon)

Our planned special examinations

In 2007–08 we will report the special examinations of the following organizations:

- The Atlantic Pilotage Authority
- The Blue Water Bridge Authority
- The Cape Breton Development Corporation
- The National Capital Commission
- Atomic Energy of Canada Limited
- Farm Credit Canada
- The Great Lakes Pilotage Authority
- Defence Construction (1951) Limited
- The International Development Research Centre
- Via Rail Canada Inc.
- Parc Downsview Park Inc.

Financial tables

Table 1—Planned spending and full-time equivalents (\$ millions)				
	Forecast spending 2006-07	Planned spending 2007-08	Planned spending 2008-09	Planned spending 2009-10
Legislative auditing				
Total Main Estimates	73.8	80.6	79.2	78.6
<i>Adjustments</i>				
Supplementary Estimates:				
Treasury Board Contingencies Vote (TB Vote 5) ¹	0.7			
Operating budget carry forward	3.1			
Economic salary increases	1.0			
<i>Total adjustments</i>	4.8			
Total planned spending	78.6	80.6	79.2	78.6
Less: Non-respendable revenue	(0.6)	(0.5)	(0.5)	(0.1)
Plus: Cost of services received without charge	10.0	10.2	10.0	10.0
Less: Forecasted lapse	(1.3)			
Net cost of program	86.7	90.3	88.7	88.5
Full-time equivalents	611	625	625	625

¹Represents funding for pay list shortfalls such as severance pay and parental benefits

Table 2—Financial and human resources and subactivities (\$ millions)

Financial resources (\$ millions)		
2007–08	2008–09	2009–10
90.3	88.7	88.5
Human resources (full-time equivalents)		
2007–08	2008–09	2009–10
625	625	625
Program activity: Legislative auditing (\$ millions)		
Subactivities*	Forecast spending 2006–07	Planned spending 2007–08
Performance audits and studies of departments and agencies	43.9	41.4
Audit of the summary financial statements of the Government of Canada	4.8	4.9
Financial audits of Crown corporations, territorial governments, and other organizations	24.1	26.1
Special examinations of Crown corporations	3.9	6.9
Sustainable development monitoring activities and environmental petitions	2.2	1.9
Assessments of the performance reports of three agencies	1.1	0.9
Professional practices	7.3	8.7
Subtotal	87.3	90.8
Less: Non-responsible revenue	(0.6)	(0.5)
Net cost of program	86.7	90.3

*We have allocated the cost of administrative and other overhead expenses to each subactivity.

Table 3—Voted and statutory items in Main Estimates (\$ thousands)

Voted or statutory item	Office of the Auditor General	2007–08 Main Estimates	2006–07 Main Estimates
15	Program expenditures	71,441	64,920
(S)	Contributions to employee benefit plans	9,148	8,828
	Total	80,589	73,748

(S) Statutory

Table 4—Services received without charge in 2007–08 (\$ millions)

	2007–08
Accommodation provided by Public Works and Government Services Canada	6.7
Contributions for employer's share of employees' insurance premiums and expenditures paid by the Treasury Board Secretariat	3.5
2007–08 Services received without charge	10.2

Table 5—Sources of spendable¹ and non-spendable revenue (\$ millions)

Non-spendable revenue	Forecast revenue 2006–07	Planned revenue 2007–08	Planned revenue 2008–09	Planned revenue 2009–10
Legislative auditing				
Charges (cost recovery) for audits ²	0.6	0.5	0.5	0.1
Total	0.6	0.5	0.5	0.1

¹ No source of spendable revenue² The Office recovers the cost for the audits of the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization. These funds are not used by the Office but are returned to the Consolidated Revenue Fund as non-spendable revenue.

Website references

Many items that are of interest but not critical to reporting our performance are available at the following websites.

Office of the Auditor General of Canada	
Office of the Auditor General	www.oag-bvg.gc.ca
Sheila Fraser, Auditor General of Canada	www.oag-bvg.gc.ca/domino/other.nsf/html/00agbio_e.html
Commissioner of the Environment and Sustainable Development	www.oag-bvg.gc.ca/domino/cesd_cedd.nsf/html/menu8_e.html
<i>Auditor General Act</i>	laws.justice.gc.ca/en/A-17/index.html
<i>Financial Administration Act</i>	laws.justice.gc.ca/en/F-11/index.html
Reports to Parliament	www.oag-bvg.gc.ca/domino/other.nsf/html/99repm_e.html
Observations of the Auditor General on the Financial Statements of the Government of Canada	www.oag-bvg.gc.ca/domino/other.nsf/html/99pac_e.html
Publications	www.oag-bvg.gc.ca/domino/other.nsf/html/99menu5e.html
Practice review and internal audit reports	www.oag-bvg.gc.ca/domino/other.nsf/html/02int_e.html
External review reports	www.oag-bvg.gc.ca/domino/other.nsf/html/00qms_e.html
Sustainable Development Strategy, 2003–06	www.oag-bvg.gc.ca/domino/other.nsf/html/200402sdse.html
Comptrollership Capacity Assessment and Action Plan	www.oag-bvg.gc.ca/domino/other.nsf/html/200403ccap_e.html
Government of Canada	
Parliament	www.parl.gc.ca
Standing Committee on Public Accounts	http://cmte.parl.gc.ca/cmte/committeehome.aspx?lang=1&parlres=381&jnt=0&selid=e17&com=8989
Standing Committee on Environment and Sustainable Development	http://cmte.parl.gc.ca/cmte/committeehome.aspx?selectedelementid=e17_&lang=e&committeeid=10471&joint=0
Standing Committee on National Finance	http://www.parl.gc.ca/common/Committee_SenHome.asp?Language=E&Parl=39&Ses=1&comm_id=13
Treasury Board of Canada Secretariat	www.tbs-sct.gc.ca
<i>Results for Canadians: A Management Framework for the Government of Canada</i>	www.tbs-sct.gc.ca/res_can/rc_e.html
<i>Results-Based Management and Accountability Framework of the Modern Comptrollership Initiative</i>	www.tbs-sct.gc.ca/cmo_mfc/resources2/RMAF/RMAF02_e.asp

Treasury Board Secretariat Management Accountability Framework	www.tbs-sct.gc.ca/maf-crg/index_e.asp
Financial Information Strategy	www.tbs-sct.gc.ca/fin/sigs/FIS-SIF/FIS-SIF_e.asp
Bank of Canada	www.bank-banque-canada.ca
Canada Pension Plan Investment Board	www.cppib.ca
Canadian International Development Agency	www.acdi-cida.gc.ca/index.htm
Territorial governments	
Government of the Yukon	www.gov.yk.ca
Government of Nunavut	www.gov.nu.ca
Government of the Northwest Territories	www.gov.nt.ca
Professional organizations	
Canadian Council of Legislative Auditors	www.ccola.ca/index_english.cfm
Canadian Evaluation Society	www.evaluationcanada.ca
Canadian Institute of Chartered Accountants	www.cica.ca/index.cfm/ci_id/17150/la_id/1.htm
CCAF-FCVI Inc.	www.ccaf-fcvi.com/entrance.html
Environmental Working Group (INTOSAI)	www.environmental-auditing.org
Financial Management Institute of Canada	www.fmi.ca
Institute of Internal Auditors	www.theiia.org
International Federation of Accountants	www.ifac.org
International Organization of Supreme Audit Institutions (INTOSAI)	www.intosai.org
United Nations Panel of External Auditors	www.unsystem.org/auditors/external.htm