



Office of the Auditor General of Canada

2007–08 Estimates

Performance Report

Approved

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Message from the Auditor General of Canada



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Sheila Fraser, Auditor General of Canada

I am pleased to present the Office's *2007–08 Performance Report*.

One of Parliament's important roles is to hold the government to account for the results it achieves with taxpayer dollars. To do this effectively, parliamentarians need objective information they can rely on to scrutinize government activities and spending.

The Office of the Auditor General is an independent source of such information, which we gather in the course of carrying out about 150 financial and performance audits and special examinations every year. The reports we give to Parliament describe areas of government that need attention and point out good practices. Our audits also point to the causes of problems, and we make recommendations for improvement. In this way, we contribute to maintaining healthy public institutions.

Parliament provides government oversight through its committees, which may review our reports, conduct hearings, and make recommendations to the government for action. It is up to the government to implement changes recommended in our reports. By carrying out our distinct roles and working together effectively, Parliament, the government, and my Office all contribute to well-managed and accountable government for Canadians.

Our priorities for 2007–08 were to integrate changes to professional standards; invest in recruitment and retention; and contribute to good practices in accountability, governance, and effective public service while implementing our mandate, which was expanded in 2005 to increase the number of financial audits and special examinations we conduct. We had requested and received an increase of approximately \$4 million in ongoing funding and an additional \$2 million in one-time funding to address these priorities and other Office needs.

Canada's adoption of international standards for auditing in 2010 and accounting in 2011 are the most significant changes our profession has yet experienced. This year we began developing our strategy to implement these coming changes—a strategy that we will be completing in 2008 and implementing for years to come.

As we face increasing competition for experienced auditors from other federal organizations and the private sector, it is a constant challenge to recruit and retain a strong base of employees. (Our retention rate of audit professionals for the year was steady compared with the previous year, at 86 percent, continuing below our target of 90 percent.) We have begun investing the additional funds provided by Parliament in our recruiting efforts and in increasing the staff levels in our methodology teams this year. We were pleased to be selected as one of Canada's top 100 employers and one of Canada's top 10 family-friendly employers for 2008—valuable recognitions that will enhance our recruitment efforts. We were also very pleased with the results of our 2008 employee survey. Ninety-three percent of our employees participated in the survey and 88 percent of them told us they believe the Office is above average or one of the best places to work.

Like many other organizations, we are also experiencing a significant rate of retirement among our senior people. We have appointed five new assistant auditors general who will work alongside our retiring executives over the coming months to facilitate a smooth and effective transfer of knowledge. A new Commissioner of the Environment and Sustainable Development has also been appointed. Mr. Scott Vaughan joined the Office on 5 May 2008.

We assess the impact our work is having on improving management within government. One of the ways we monitor this is by asking departments to report on their progress in implementing our recommendations. This year we also asked them to assess the recommendations' level of implementation. We received assessments for 96 percent of the recommendations we issued. The statistics that result—departments reported that they had fully implemented 55 percent of the performance audit recommendations we made four years ago and had substantially implemented another 29 percent—represent a new baseline for this indicator. We believe this new approach is better aligned with departmental responsibilities to monitor and report on their responses to our recommendations.

We monitor Parliament's engagement with our performance audit reports by looking at how frequently parliamentary committees ask us to appear before them to further elaborate on our findings. In the past year, committees reviewed 56 percent of our performance audit reports and we participated in 33 hearings and briefings, both about average for the last few years.

We survey the key users of our audit reports: parliamentarians on the value and impact of our performance audits, board chairs on the value of our special examinations, and audit committee chairs on the value of our financial audits. We are particularly pleased that parliamentarians continue to provide us with a very positive assessment of our work.

We have had difficulties completing individual audits within budgets and completing some special examinations and financial audits on time. This year our efforts have led to significant improvements in our on-time performance. Our on-budget performance results are still falling below our target of 70 percent for all of our products. We initiated a number of actions this past year in response and have made improving our resource allocation and project management a strategic priority for the coming year.

Behind all our achievements is an exceptionally competent, professional, and dedicated workforce. I wish to take this opportunity to thank my staff for their continued dedication to the Office and the Parliament we serve.

I trust you will find this performance report presents an open and balanced picture of our activities and impacts in 2007–08.



Sheila Fraser, FCA
Auditor General of Canada

2 September 2008

Management representation statement

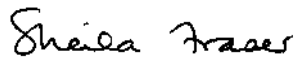
I submit for tabling in Parliament the *2007–08 Performance Report* for the Office of the Auditor General of Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2007–2008 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*. It

- is based on the Office’s strategic outcome and Program Activity Architecture;
- presents consistent, comprehensive, balanced, and reliable information;
- provides a basis of accountability for the results achieved with the resources and authorities entrusted to the Office; and
- reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

In meeting its reporting responsibility, the Office’s management has established and followed procedures and controls designed to provide reasonable assurance of the fairness and reliability of the performance information. While the Office continually strives to improve its performance information, the information in this report is the best currently available and management considers it reasonable for the purpose of preparing this report. Some of the information is based on management’s best estimates and judgments, and any limitations to the quality of the data provided are disclosed in the report.

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



Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
2 September 2008

Performance summary

Highlights

We completed 152 financial and performance audits, special examinations, and other reports during the 2007–08 fiscal year.

We delivered 86 percent of the audits due this year on time.

Virtually all parliamentarians surveyed believed that our performance audit work “often” or “almost always” adds value for them in the key areas that we ask them about.

Parliamentary committees reviewed 56 percent of our performance audit reports, compared with a near-record 66 percent in 2006–07 and 52 percent in 2005–06. We participated in 33 hearings and briefings with parliamentary committees over the course of the 113 parliamentary sitting days. Hearings held on two of our special examination reports (which are performance audits of Crown corporations) and on our report on military health care are but two examples of our work contributing to the legislative and oversight work of Parliament.

In 2007–08, departments reported that they had fully implemented 55 percent of the performance audit recommendations we tabled four years ago and had substantially implemented 29 percent.

We have substantially fulfilled all of the commitments in our own Sustainable Development Strategy and met all but one of the targets we established.

Our 2008 employee survey had a 93 percent response rate. The results show that 88 percent of employees believe the Office is above average or one of the best places to work.

We were selected as one of Canada’s top 100 employers and one of Canada’s top 10 family-friendly employers for 2008.

To assemble a workforce that represents the Canadian population, the Office has increased its relative levels of representation for all of the four designated groups, with three now exceeding the levels of representation in the community.

We completed two internal practice reviews of our performance audits; these reviews concluded that our audits were conducted in accordance with professional standards and our quality management framework.

Areas for improvement

Over the past five years, departmental senior managers have rated the value of our performance audits to them at levels lower than we would like to see. In the coming year, we will be taking steps to understand the reasons for these assessments and developing any necessary responses.

We have had difficulties completing individual audits within budgets and completing some special examinations and financial audits on time. The Office has sufficient funds to fulfil its mandate. Nevertheless, our ability to complete individual audits on budget is still falling below our target of 70 percent for all of our products. This year we initiated a number of actions regarding on-time performance, and our efforts have led to significant improvements. For the coming year, we have

made improving our project management—including planning, budgeting, and resource allocation—a strategic priority.

In monitoring government responses to our work, we note the following.

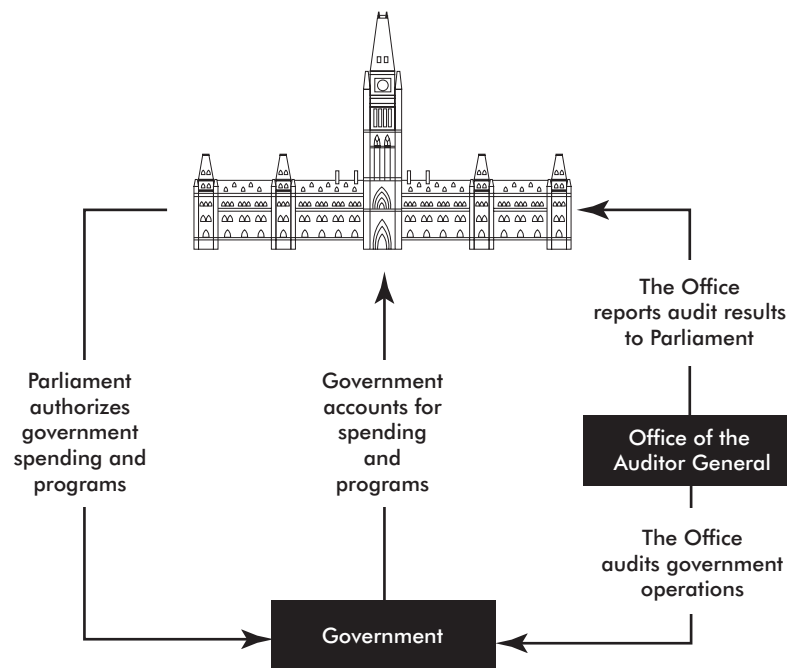
- We issued two financial audit reports with a reservation of opinion where the reservation continued from the previous audit. Both were for financial statements of territorial organizations.
- We issued a special examination with a significant deficiency that was not addressed from the previous examination.
- Ministers delivered 84 percent of responses to public petitions on environmental matters during the year within the 120-day time limit specified in the *Auditor General Act*, a decrease from 96 percent last year.

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 Officer 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.

Maintaining our objectivity and independence from the organizations we audit is critical. Our independence is assured by a broad legislative mandate; compliance with professional auditing standards; additional authority granted by Parliament for staffing and contracting; a strong internal Code of Values, Ethics and Professional Conduct; 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 committee hearings, we assist Parliament in its 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 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? Were they run with due regard to economy, efficiency, and their environmental effects? Does the government have the means to measure and report 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 the 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) fairly and in a 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 measure and report their effectiveness. Our reports contain recommendations to address the most serious deficiencies identified.

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.

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 government policy or 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 the organizations we audit comply with the key legislative authorities that govern their activities. We conduct financial audits of federal and territorial Crown corporations, other organizations, and the summary financial statements of the Government of Canada and of each of the three territories.

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

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. Our audit reports on the financial statements of Crown corporations are addressed to the appropriate minister and published in the annual reports of these organizations. Our audit reports on the financial statements of other federal organizations are generally addressed to the minister or the head of the corporation or other interested parties.

Our performance audit reports of territorial governments and our audit reports on their financial statements are published and presented to the territorial legislatures.

Special examinations. A special examination assesses the financial and 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 in these systems and practices. The *Financial Administration Act* requires all Crown corporations to have a special examination of their organization conducted by the Office at least 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 accounting firm.

Our special examination reports are addressed to the boards of directors of the corporations we examine. We bring the information in the report to the attention of the appropriate minister and of Parliament when we find certain types of significant deficiencies—for example, issues relating to a corporation’s mandate, issues that only the government can address, issues of a governance nature, and problems we reported previously that continue to occur.

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 Section III of this performance report, which is submitted to the President of the Treasury Board for tabling in the House of Commons.

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

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. The audits also provide managers with assessments and recommendations. We normally conduct one internal audit per year and publish the results on our website.

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

To ensure that our quality management frameworks are suitably designed and operating effectively, we subject them to periodic external reviews by peers. We also conduct internal practice reviews of our audits. We publish our peer reviews and our practice reviews on our website under About Us.

The provincial institutes of chartered accountants review our compliance with professional standards for financial audits about every four years, in order to determine whether our training of chartered accountant students meets their requirements.

Who reviews our funding? The Auditor General prepares annual Estimates documents and the President of the Treasury Board submits them to Parliament. The 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 of Canada 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 government's responsibility 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 the Treasury Board of Canada 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 2007, requesting approximately a \$1.2-million addition to our ongoing funding starting in 2008–09. The panel unanimously agreed to recommend the requested funding increase to the Treasury Board.

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. A copy of the results chain is included in Section IV—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, government, and Canadians;
- working collaboratively with legislative auditors, federal and territorial governments, and professional organizations; and
- providing a respectful workplace 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.
-

Section II—Reporting on Results

Our performance indicators and measures

Our strategic outcome is to contribute to well-managed and accountable government by conducting independent audits and studies that provide objective information, advice, and assurance to Parliament, government, and Canadians.

We measure and monitor our performance against our results chain (see Section IV—Supplementary Information). It links what we deliver—audits, studies, opinions, information, and advice—to our strategic outcome (long-term result).

The Office has established a set of core indicators of impact and measures of organizational performance to help inform management decision making.

Our indicators of impact help us to assess the extent to which

- our work adds value for the key users of our reports (page 18),
- our work adds value for the organizations we audit (page 20),
- key users of our reports are engaged in the audit process (page 22), and
- key users of our reports and the organizations we audit respond to our findings (page 24).

Our measures of organizational performance help us monitor the extent to which

- our work is delivered on time and on budget (page 29),
- our quality management frameworks are operating effectively (page 30), and
- we provide a respectful workplace (page 31).

In addition to measuring the Office's ongoing performance, we identified four priority areas for 2007–08. This year we received an increase of approximately \$4 million in ongoing funding and an additional \$2 million in one-time funding to address these priorities and other Office needs. The priorities are the following:

- **Integrate changes to professional standards.** Ensuring that all staff are fully apprised of and trained on the significant new developments in professional standards will be a priority of the Office for a number of years. This year we began holding additional update sessions for auditors in all of our practice areas, and developing long-term strategies to ensure that all of our methodologies and practices incorporate the latest professional standards. We also hosted an information session for chief financial officers, chief executive officers, and chairs of audit committees of federal Crown corporations to help them understand the implications and challenges they face in moving to International Financial Reporting Standards.
- **Implement our expanded mandate.** In 2005, Parliament expanded our mandate, which, among other things, increased the number of financial audits and special examinations of Crown corporations we conduct. Just over \$3 million of our additional ongoing funding was for this new work. As of 2007–08, we have completed seven of the eight new financial audits and begun work on three of the seven new special examinations.

- **Contribute to good practices in accountability and governance.** The current weight of controls and reporting requirements is affecting the delivery of federal government programs. We believe that fewer rules, consistently applied, would be more effective. There are many activities within the federal government and beyond that are addressing the issue and we are participating in them as appropriate, including co-chairing a symposium for federal organizations planned for late in 2008. This year we reviewed our performance audit plans and identified audits that may address the question of whether there are enough or too many controls. We are continuing to consider additional options for how our audit work can contribute to addressing this issue.
- **Invest in recruitment and retention.** We began investing funds provided by Parliament this year to enhance our recruitment efforts and to increase our staff levels in our methodology teams. In addition, the Office was selected as one of Canada's top 100 employers and one of Canada's top 10 family-friendly employers for 2008. These recognitions are already helping us to recruit the talented professionals that we need.

Approximately half of the \$2 million in one-time funding received this year was spent on replacing our financial system. We successfully launched a new system on 1 April 2008 to coincide with the beginning of our fiscal year. We completed this project under budget by approximately 8 percent. The other half of the funding was earmarked to update our electronic data and records management system, which is a multi-year project.

We also have two significant long-term commitments:

- **Sustainable development.** Sustainable development is the integration of environmental, economic, and social considerations in the development and implementation of government programs. The Office's own sustainable development strategy tabled in December 2006 focuses on ensuring that environmental issues and risks are considered as we plan, conduct, and report our audits (see Sustainable development commitments and results, page 33).
- **International contribution.** The Office has continued to work with the international community in developing international accounting and auditing standards, building capabilities and professional capacities of national audit offices, sharing knowledge, and conducting audits of international organizations (see Our international contributions, page 34).

Exhibits 4 and 5 provide a summary of the Office's most recent results.

Exhibit 4—Summary of our indicators of impact

Objectives and indicators	2006–07 Actual	2007–08 Actual	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	92	97	75
Percentage of audit committee chairs who find our financial audits add value	75	n/a ¹	75 ²
Percentage of board chairs who find our special examinations add value	87	75	75
Our work adds value for the organizations we audit			
Percentage of departmental senior managers who find our performance audits add value	61	55	65
Percentage of Crown corporation and large department senior managers who find our financial audits add value	66	n/a ¹	75 ²
Percentage of Crown corporation chief executive officers who find our special examinations add value	78	96	75
Key users of our reports are engaged in the audit process			
Number of parliamentary hearings and briefings we participate in	66	33	No target established
Percentage of performance audits reviewed by parliamentary committees	63	56	No target established
Key users of our reports and the organizations we audit respond to our findings			
Percentage of performance audit recommendations fully implemented four years after their publication	46	55 ³	50
Percentage of reservations that are addressed from one financial audit to the next	100	0 ⁴	100
Percentage of significant deficiencies that are addressed from one special examination to the next	100	50 ⁵	100

Exhibit 5—Summary of our measures of operational performance

Objectives and indicators	2006–07 Actual	2007–08 Actual	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 <i>Report on Plans and Priorities</i>	91	90	100
Percentage of financial audits completed on time ⁶			
• federal Crown corporations with statutory deadlines	98	100	100
• other federal organizations with statutory deadlines	100	94	100
• federal organizations with no statutory deadlines	64	81	100
• territorial organizations	53	59	100
Percentage of special examination reports delivered on or before the statutory deadline	25	75	100
On budget:			
Percentage of audits completed on budget ⁷			
• Performance audits	59	48	70
• Financial audits—federal Crown corporations	49	54	70
• Financial audits—other federal organizations with statutory deadlines	50	50	70
• Financial audits—federal organizations without a statutory deadline	82	47	70
• Financial audits—territorial organizations	54	28	70
• Special examinations	0	25	70
Our quality management frameworks (QMFs) are operating effectively			
External peer reviews find our QMFs suitably designed and operating effectively	—	See note ⁸	—
Percentage of internal practice reviews that find our audits in compliance with our QMFs	100	100	100

Exhibit 5—Summary of our measures of operational performance (continued)

Objectives and indicators	2006–07 Actual	2007–08 Actual	2007–08 Target
We provide 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	n/a ⁹	88 ⁹	80
Percentage of management who meet our language requirements			
• assistant auditors general and principals	82	83	100
• directors in bilingual regions	59	75	75
Percentage representation relative to workforce availability for			
• women	113	131	100
• people with disabilities	105	114	100
• Aboriginal peoples	110	140	100
• members of visible minorities	65	83	100
Percentage retention of audit professionals	86	86	90

¹ There were no surveys conducted for our financial audits this year as we were reviewing and renewing our post-audit surveys.

² This target was previously established and will be maintained in the coming year.

³ This is a new baseline for this indicator due to a change in how the number is determined. See methodological endnote 4 under Section IV—Supplementary Information.

⁴ We issued two reservations for 2006–07 financial statements that were not addressed in 2007–08.

⁵ For the eight special examinations reported this year, we had identified four significant deficiencies in the previous examination, of which two were addressed.

⁶ “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. 2006–07 results have been restated to reflect a change in categorization made in 2008 of some financial audits.

⁷ “On budget” means that the actual audit hours to complete an audit did not exceed the budgeted hours by more than 15 percent. Results for 2006–07 have been restated to reflect a change in categorization made in 2008 of some financial audits.

⁸ In 1999, a peer review of our financial audit practice found that our quality management framework was suitably designed and operating effectively. In 2003, a peer review of our performance audit practice, the first such review conducted of a national audit office, reached the same conclusion. We are planning a peer review of all of our practice areas and supporting administrative services for 2009–10.

⁹ The employee survey results shown were received in June 2008. We conduct employee surveys every two years.

Our indicators of impact

We gather information on the impact of our work by measuring a number of indicators that are external to the Office, and are therefore not entirely under our control.

To assess if our work adds value for the key users of our reports and the organizations we audit (the first two indicators of impact), we survey representatives of these two groups. Survey respondents are asked to rate, on a five-point scale ranging from “very poor” to “very good” or from “almost never” to “almost always,” many aspects of our audits and our interactions with these users. We began to report the survey results under this methodology of performance assessment in our *2003–04 Performance Report*.

While the response rates to our surveys are generally good, the actual number of respondents is quite small. Therefore, variances in results year over year should be interpreted with a degree of caution. Given the population size of respondents, even a small number of changes in responses may appear as a relatively significant change in the overall rating. (For details on the methodology used, see methodological endnotes 1 and 2 under Section IV—Supplementary Information.)

This year we undertook to review and renew our post-audit surveys for all audit products. The last time we conducted such a review was in 2003. Our objective was to ensure that the surveys were well focused on the most important aspects of how audits can add value and on the key elements of managing an audit professionally and efficiently. Results this year for performance audits and special examinations were obtained using our previous survey design. However, no post-audit surveys were conducted for our financial audits as a result of undertaking this review.

Our work adds value for the key users of our reports

For this indicator, we survey the key users of our reports:

- members of key parliamentary committees for performance audits,
- audit committees and other bodies having financial reporting oversight responsibility for financial audits, and
- boards of directors of Crown corporations for special examinations.

The results of our surveys for the specific items that we use to define the term “add value” are shown in Exhibits 6, 7, and 8.

Survey results for performance audits. In July 2008, we completed our second annual survey of parliamentarians. It related to our performance audits tabled in 2007–08.

We surveyed the members of the four key parliamentary committees that review our reports: the House of Commons Standing Committee on Public Accounts and the Standing Committee on Environment and Sustainable Development, as well as the Senate Standing Committee on National Finance and the Standing Committee on Energy, Environment and Natural Resources. Of the 46 members asked to respond to our survey, 24 responded (Exhibit 6).

Our target is to have 75 percent of respondents provide us with ratings of “often” or “almost always.” Virtually all parliamentarians who responded provided such ratings for our 2007–08 audits.

Exhibit 6—Performance audits add value for parliamentary committee members
2007–08 parliamentary survey (Number= 24)

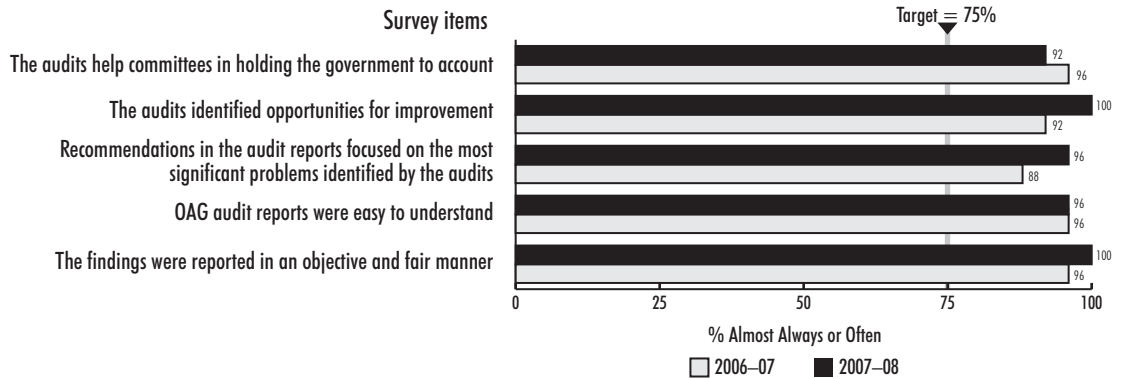


Exhibit 7—Financial audits add value for audit committee chairs
2004–05 survey (Number= 29)

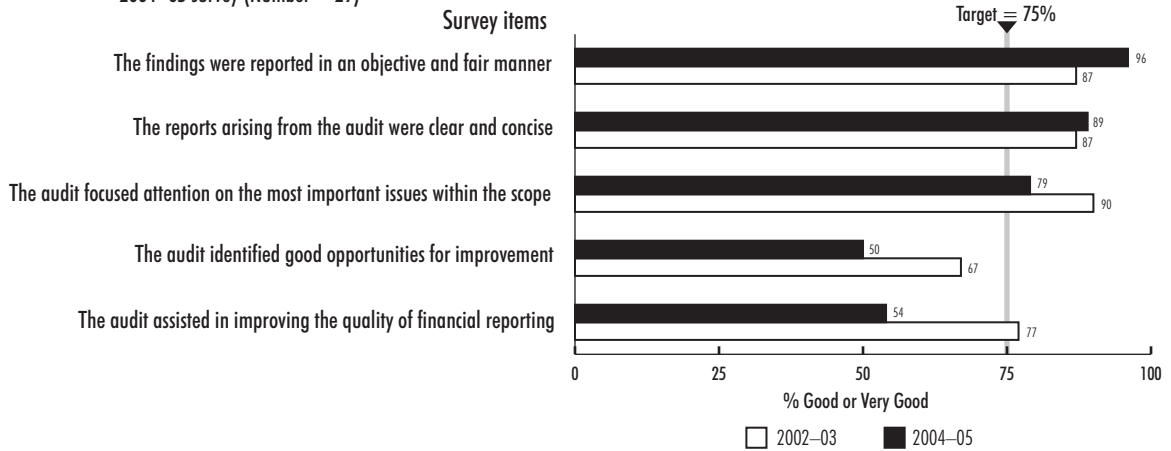
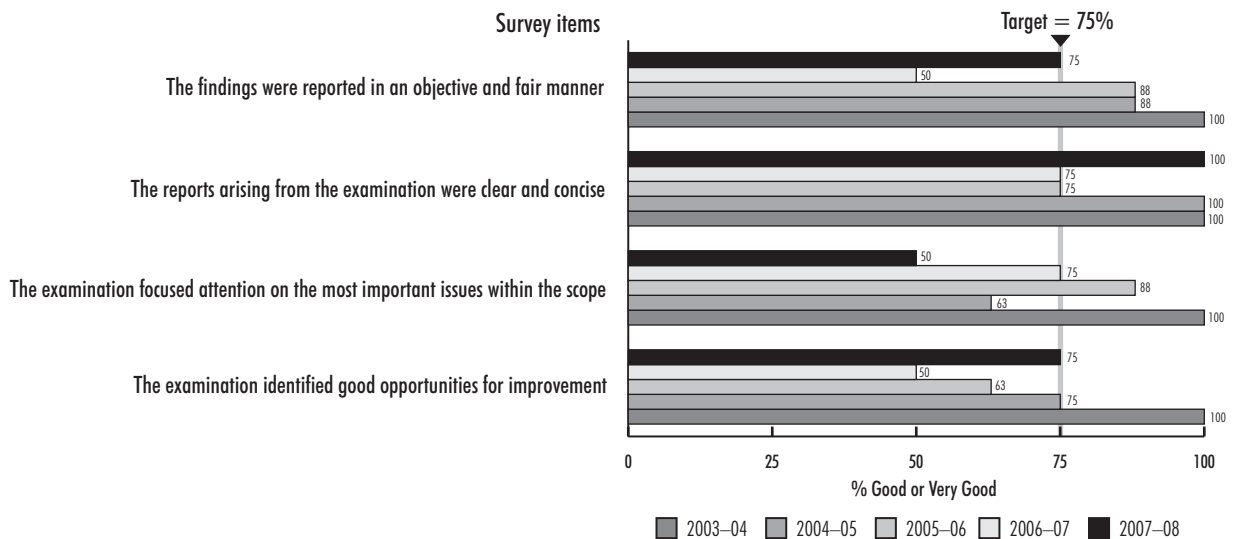


Exhibit 8—Special examinations add value for board chairs
2007–08 survey (Number=4)



Survey results for financial audits. To determine the value of our financial audits, we have conducted two biennial surveys of the chairs of audit committees and other bodies with financial reporting oversight responsibility (Exhibit 7).

As noted earlier, we did not survey our financial audits in 2007–08. We will begin surveying our financial audits annually in 2008 using our new survey and will be reporting the results starting in our 2008–09 fiscal year. We revised our survey in part because we felt that some of the questions should be clearer and more focused. We have made changes to the wording and will be monitoring future results closely. The information presented in Exhibits 7 and 10 pertains to the fiscal years 2002–03 and 2004–05.

Survey results for users of special examinations. To determine the value of our special examinations to Crown corporations, we survey their board chairs (Exhibit 8). The number of special examinations we complete annually is small (eight in 2007–08 and six in 2006–07) as is the number of survey respondents (four in each of these years).

In our *2007–08 Report on Plans and Priorities* we established a target of 75 for the percentage of respondents who would rate our performance as good or very good. This year, responses to three of the four questions are on or above our target. All four respondents rated us as good or very good at preparing reports that are clear and concise. Three rated us as good or very good at identifying good opportunities for improvement and at reporting our findings in an objective and fair manner. Only two rated us as good or very good at focusing attention on the most important issues within the scope of the examination.

Our work adds value for the organizations we audit

The Office regularly surveys representatives of the organizations we audit to determine their assessment of the value of our work. We have identified three key representatives of the organizations we audit:

- senior management (for example, deputy ministers or commissioners) of departments or agencies substantially involved in performance audits;
- senior managers (for example, chief financial officers or chief executive officers) of Crown corporations subject to our financial audits; and
- chief executive officers of the Crown corporations subject to special examinations.

The items used to define the term “add value” are the same as those included in the surveys of report users. The results for the surveys of the organizations we audit are shown in Exhibits 9, 10, and 11.

Performance audit results. Since 2003–04, we have surveyed organizations subject to our performance audits after tabling the applicable report in Parliament. This year we received 52 completed surveys.

The target for performance audits, established in our *2007–08 Report on Plans and Priorities*, was to have 65 percent of respondents rate our performance as good or very good in adding value for senior management. The most recent survey responses provided an average score of 55 percent. Ratings were below the target for all of the items of adding value.

Over the past five years, the assessments of department senior management have been lower than we would like to see (Exhibit 9). In the coming year we will be taking steps to understand the reasons for those assessments and developing any necessary responses.

Financial audit results. We have conducted two biennial surveys of the senior managers of Crown corporations and senior managers of large departments subject to a financial audit (Exhibit 10).

As noted earlier, we did not conduct a survey regarding our financial audits in 2007–08 as a result of our review and renewal of the surveys. The information presented in Exhibit 10 pertains to the fiscal years 2002–03 and 2004–05 only.

Exhibit 9—Performance audits add value for senior management
2007–08 survey (Number=52)

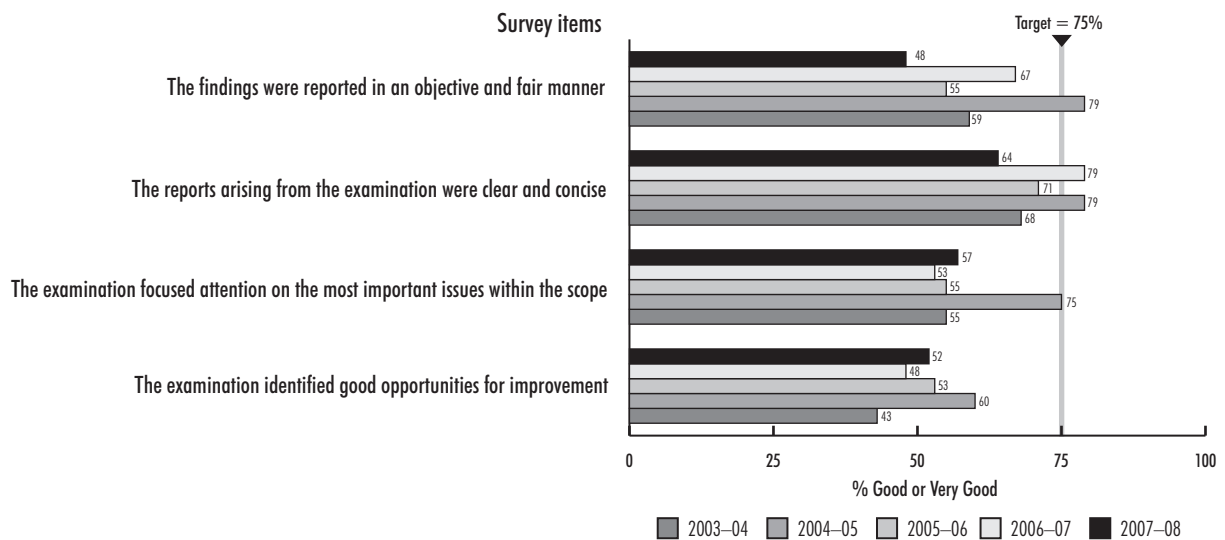
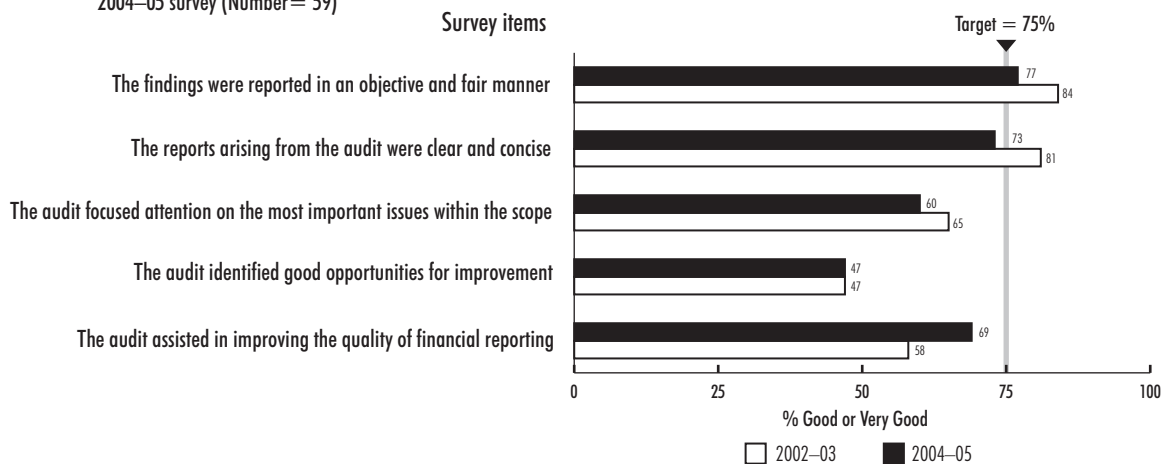


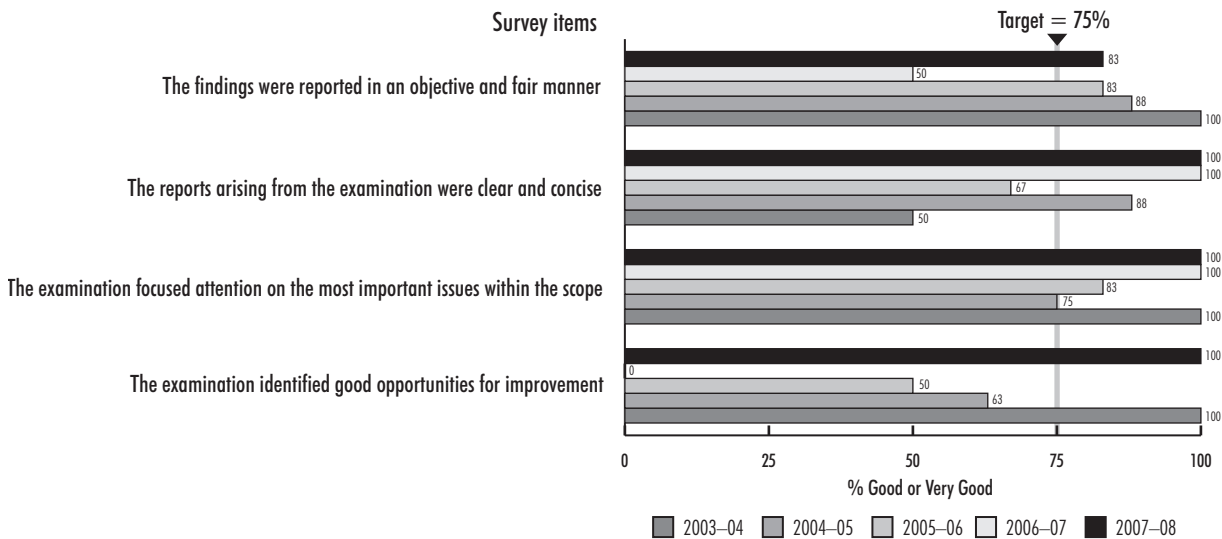
Exhibit 10—Financial audits add value for senior managers
2004–05 survey (Number= 59)



Special examination results. In our *2007–08 Report on Plans and Priorities*, we established a target of 75 for the percentage of chief executive officers of Crown corporations that rated our performance as good or very good. The results have to be interpreted with caution, however: for the eight special examinations conducted in 2007–08, six survey responses were received, compared with two responses for the six special examinations in the previous year.

Responses to all four questions are on or above this 75 percent target (Exhibit 11). This year all respondents rated us as good or very good at focusing the examination on the most important issues, at identifying good opportunities for improvement, and at preparing reports that were clear and concise. Five respondents rated us as good or very good in reporting our findings in an objective and fair manner. Five respondents rated us as good or very good in reporting our findings in an objective and fair manner.

Exhibit 11—Special examinations add value for chief executive officers
2007–08 survey (Number=6)



Key users of our reports are engaged in the audit process

For this indicator, we once again focus on the key users of our reports:

- members of key parliamentary committees for performance audits,
- audit committees and other bodies having financial reporting oversight responsibility for financial audits, and
- boards of directors of Crown corporations for special examinations.

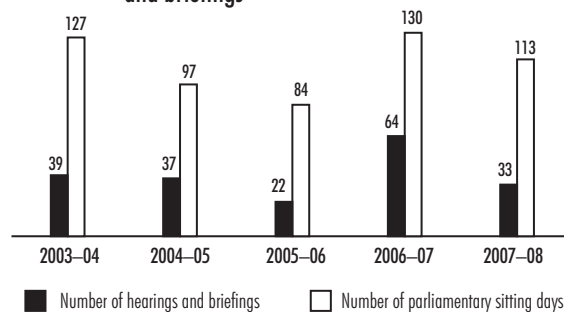
Involvement with parliamentary committees. While many parliamentary committees draw on our work, the Office’s main relationship is with the Standing Committee on Public Accounts. Our appearances before committees assist parliamentarians in fulfilling their oversight role and give us the opportunity to increase awareness and understanding of the issues in our reports.

For performance audits, we monitor the level of involvement of parliamentary committees by tracking the number of audits reviewed by committees. We also assess the committees' level of interest in our reported findings by looking at how frequently they ask us to appear before them to further elaborate on our findings. It is important that the key users of our reports be engaged in the audit process, understand the nature and objectives of our work, and understand our reports and follow up on issues presented in them.

Parliamentary committee hearings also encourage departments and agencies to implement our recommendations. Following a hearing, the committee may report and make recommendations to the government. Departments and agencies are expected to report back to the committees on what they have done in response to these recommendations.

In 2007–08, we participated in 33 hearings and briefings (Exhibit 12): 14 with the Public Accounts Committee and 19 with other committees. This number is lower than last year's figure, which had been a record number of hearings and briefings for this Office, but is consistent with the average from previous years. One of our reports was the subject of many hearings, most of which we were not required to attend. Accordingly, we have not included them in this calculation.

Exhibit 12—We participate in parliamentary hearings and briefings



To determine coverage, we measure the percentage of our total audits in a year that are reviewed by a committee. Parliamentary committees reviewed 56 percent of our 2007–08 performance audits. This compares with 66 percent in 2006–07 and with 52 percent in 2005–06. (For further details, see methodological endnote 3 under Section IV.)

Committee hearings covered a wide range of topics and audit reports; for example, the NORAD system, the forensic laboratories of the RCMP, the Coast Guard fleet and marine navigational services, the Social Insurance Number, and international tax administration by the Canada Revenue Agency.

The Commissioner of the Environment and Sustainable Development usually appears before both the House of Commons Standing Committee on Environment and Sustainable Development and the Senate Standing Committee on Energy, the Environment and Natural Resources. Other committees will also call upon the Commissioner if they are studying matters audited by the Commissioner. This year, the interim Commissioner participated in a hearing on Bill C-474, an *Act to require the development and implementation of a National Sustainable Development Strategy*. Although it is not our common practice to participate in discussions surrounding new bills, we agreed to testify since the Act touched upon our Office's mandate. The interim Commissioner also participated in a hearing on adapting to the impacts of climate change and in other hearings where he discussed the findings of his 2007 and 2008 reports to Parliament.

Involvement with Crown corporation boards and other bodies. Throughout the financial audit process, we work closely with boards and audit committees that have oversight responsibility for financial reporting. We engage these committees in our audit work to help them fulfil their oversight responsibilities.

We brief them regularly on the progress of our work. The committees will normally review the audit plan, including the audit scope, strategy, and procedures. Discussions include how the plan addresses the corporation's significant risks, as well as other matters of interest that may have an impact on our work. In finalizing our audit report, we meet with the committees to discuss any significant findings and recommendations together with management's response and follow-up action.

We believe that the quality of our audit products greatly benefits from this open communication and active participation of audit committees and other bodies having oversight responsibility for financial reporting.

Involvement of boards of directors for special examinations. As with financial audits, we work closely with the boards of directors of Crown corporations and with their associated committees having oversight responsibility. We seek input from these committees in preparing our audit plans and solicit feedback from them as part of our post-examination process. We use the results of this feedback to assess our effectiveness and improve our practices.

Key users of our reports and the organizations we audit respond to our findings

For this indicator, the Office monitors the extent to which

- Parliament considers the issues raised in our reports,
- the organizations we audit implement the recommendations in our performance audits,
- the organizations we audit address qualifications in our financial audit reports and significant deficiencies in our special examination reports,
- departments implement their sustainable development strategies, and
- departments respond to environmental petitions on time.

The Office has limited control over the extent to which the above-noted items occur. Nonetheless, we track this information to the extent feasible and use it as input to certain internal management processes, such as the planning process.

Parliament considers the issues raised in our reports. We monitor how our performance audits help Parliament hold the government to account by identifying examples of how Parliament considers issues of accountability, performance, compliance with authorities, and the environment and sustainable development in its legislative and oversight work.

The following examples illustrate how our 2007–08 work has contributed to the legislative and oversight work of Parliament.

Hearings were held on our special examinations (Canadian Broadcasting Corporation [CBC/Radio-Canada], November 2005 report, and Atomic Energy of Canada Limited [AECL], September 2007 report)

Background. Crown corporations form a significant part of the federal public sector. Federal Crown corporations employ about 90,000 people, manage more than \$185 billion in assets, and have long-term liabilities of about \$145 billion. These distinct legal entities, wholly owned by the government, are used to deliver important public programs.

In special examinations, the Auditor General provides an opinion to the board of directors on the management of the Crown corporation as a whole. Federal Crown corporations are subject to a special examination at least once every five years.

In the March 2004 Budget, the Government of Canada announced that it intended to introduce new corporate governance rules that would require Crown corporations to post special examination reports from the Auditor General on their websites. Since then, all 29 special examination reports the Office has issued to Crown corporations (that are still active) have been made public by the individual corporations. Unlike our performance audits of federal departments and agencies, special examinations have rarely been the subject of parliamentary hearings. The public release of many special examinations provides an opportunity for committees to hold Crown corporations accountable.

Results. In the fiscal year 2007–08, two previously conducted special examinations were the focus of a parliamentary hearing.

In May 2007, the Standing Committee on Canadian Heritage held a hearing on the 2005 CBC/Radio-Canada special examination. The Committee was conducting an extensive study on the role of a public broadcaster in the 21st century. The Committee issued a report in February 2008 in which it recommended that CBC/Radio-Canada report to the Committee, at its earliest convenience, on its progress on the recommendations made in the 2005 special examination carried out by the Office of the Auditor General. The Committee requested a response from the Corporation.

During its January-February 2008 study of nuclear safety issues, the Standing Committee on Natural Resources asked us to appear for a hearing on our 2007 AECL special examination. In its testimony, the Office was able to provide details on unresolved strategic challenges faced by AECL, such as the completion and licensing of its medical isotope facilities, the development of a new generation of CANDU reactors, and the replacement of aging facilities at the Corporation's Chalk River Laboratories.

Committees reviewed our chapter on Military Health Care—National Defence (October 2007 Report, Chapter 4)

Background. During our audit, we found a number of weaknesses in the management of the military health care system. For example, National Defence (DND) lacked the information to know whether levels of service at its clinics were appropriate to medical and operational needs and whether the costs of providing them were reasonable even though the costs were rising. The audit also found that while the Department had developed a mental health care model based on best practices, the system was short of resources to meet the demand for mental health services.

Results. This chapter was reviewed by two parliamentary committees. The Standing Committee on National Defence conducted an extensive study on health services provided to Canadian Forces personnel for which several witnesses appeared. The Auditor General and National Defence officials were called to appear before the Committee in March 2008 regarding our chapter. The Office provided further details on our findings relating to mental health care given specific Committee interests. DND agreed with our recommendations and developed an action plan to address the concerns raised in our chapter. The Auditor General proposed that progress reports from DND may be helpful to the Committee.

The Standing Committee on Public Accounts also held a hearing on this chapter in January 2008, for which our Office and National Defence appeared. We provided details on our findings relating to the lack of health care information to monitor and measure performance, the need to better demonstrate the link between service delivery and the rising cost of military health care, and the need for better governance and oversight. The Department was able to outline the activities it is currently undertaking to improve health care to military men and women. Following the hearing, the Committee issued a report in which it recommended that, in order to hold the Department to account to fulfilling its commitments, it provide the Committee with a detailed progress report on the implementation of its plan to address deficiencies identified in our chapter.

Organizations implement our performance audit recommendations. Departments and agencies are responsible for taking corrective action and improving their management practices. We have established that four years is a reasonable period of time to fully implement our recommendations. Annually, we request an update from these organizations on their progress in implementing our recommendations. This year we also asked them to assess their level of implementation. The information we receive is self-reported by the departments and agencies. While we do not subject it to any detailed review or audit, we do consider it for consistency with our current knowledge of the organization.

In 2003–04, we issued 230 recommendations. Since then, 34 recommendations have become obsolete, so we requested a total of 196 status assessments. We have received responses for 188, or 96 percent, of these requests for status assessments. Departments reported that they believed they have fully implemented 55 percent of the performance audit recommendations we tabled four years ago and have substantially implemented 29 percent (see methodological endnote 4 under Section IV—Supplementary Information).

These numbers represent a new baseline for this indicator due to a change in how the number is determined: departments now self-assess their progress. We believe this new approach is better aligned with departmental responsibilities to monitor and report on their responses to our recommendations

as described in the Treasury Board Directive on Departmental Audit Committees. This directive states, in section 4.2.6.2, that the chief audit executive shall report periodically to the audit committee on whether management's action plans to address audit recommendations have been implemented and whether the actions taken have been effective.

Each year, we prepare a status report, which follows up on progress made by the government in responding to recommendations contained in previous performance audits. Status reports focus attention on significant recommendations and findings, thereby providing information to Parliament as it holds departments and agencies to account for actions taken, not taken, and planned.

Organizations address opinion reservations and significant deficiencies. For our financial audits and special examinations, we monitor the corrective action taken in response to opinion reservations and significant deficiencies contained in our reports. Our indicator is the percentage of reservations or significant deficiencies that are addressed from one report to the next. Our target is 100 percent.

This year's result for financial audit reservations is 0 percent. For our financial audits of federal organizations in 2006–07 and 2007–08, no reservations were issued. However, we issued two audit reports of territorial entities this year with reservations, and in both cases, there had also been a reservation in the preceding year's audit. We issued denials of opinion for all four audits. A denial of opinion is an expression by the auditor that no opinion can be provided because of significant limitations on the audit. In the case of one of the entities, the Northwest Territories Business Development and Investment Corporation, we issued our reports in 2007–08 on its last two fiscal years.

This year's result for addressing special examination significant deficiencies is 50 percent. For the eight special examinations reported this year, we had identified four significant deficiencies in the previous examinations, of which two were addressed.

A significant deficiency was reported in 2007 for Atomic Energy of Canada Limited (AECL) that was made up of three key areas. Two of these areas had been previously identified as significant deficiencies in our last special examination in 2002. While AECL had made progress on other significant deficiencies reported, these two continued to be strategic challenges that need to be resolved. They related to the completion and licensing of the Dedicated Isotope Facilities and securing long-term funding for the replacement of aging facilities at its Chalk River Laboratories.

We monitor department sustainable development strategies. In 1995, section 23(2)(a) was added to the *Auditor General Act*, directing us to monitor and report on the extent to which departments have met the objectives and implemented the plans set out in their sustainable development strategies (SDSs).

Over the years, we have monitored a number of departmental SDSs annually and continue to do so. In 2007, we also conducted an in-depth audit of selected strategies to determine whether they were encouraging departments to integrate the environment with economic and social considerations when developing policies and programs for the future and when managing programs and activities of the day. We found little evidence that SDSs were fulfilling this role, and we called on the government to conduct a thorough review of why the strategies are not working and what needs to be done to get them back on track. The government accepted our recommendation and the review is under way.

In March 2008, we reported an audit of the government’s strategic environmental assessment (SEA) process, and found that it was not working either. The SEA process is designed to ensure that environmental effects are assessed and considered by ministers when new policies and programs are developed and approved. The Canadian Environmental Assessment Agency is leading a review to determine why SEAs are not working and what needs to be done to fix them.

SDSs and SEAs are two fundamental tools that the government has created to manage environmental and sustainable development issues. Both would benefit from an overarching government-wide sustainable development strategy or plan that would provide context and a sense of direction and purpose for departmental activities and programs.

We are hopeful that the reviews that are now underway of the SDS and SEA processes, and consideration by the government of an overarching sustainable development plan, will lead to significant strengthening of these important tools. This, in turn, will make the work that we are required to do under section 23(2)(a) of the *Auditor General Act* more relevant to both the government and Parliament than it is now.

We monitor environmental petitions. The 1995 amendments to the *Auditor General Act* require that we monitor and report annually to Parliament on environmental petitions received from Canadians. The petitions process allows Canadians to voice their concerns about environmental matters and to address questions to federal ministers and obtain responses. Twenty-eight federal departments are required by the *Auditor General Act* to respond to petitions.

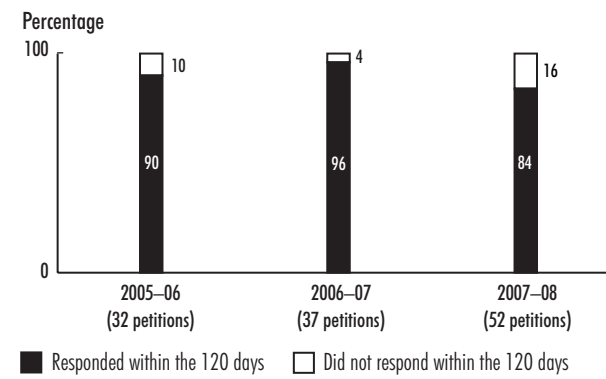
In 2007–08, the Office received 52 environmental petitions. Ministers of federal departments are required to respond to petitioners within 120 days. They responded on time to 84 percent of the petition responses due in 2007–08 (Exhibit 13). While ministers are responsible for responding to petitions on time, we note that the decrease in on-time responses to petitions may have been influenced by a number of factors:

- The number of required responses increased significantly from the previous year.
- Two departments accounted for two thirds of the late responses.
- About 40 percent of the late responses missed the deadline by 1 to 3 days.

Canadians have been submitting petitions and ministers have been responding to them for 12 years. This year we looked at past experience to develop future options for strengthening the petitions process. We surveyed petitioners and federal departments, and we interviewed officials of the departments most often petitioned and of other organizations with similar citizen engagement processes. The results of this retrospective were reported to Parliament in our October 2007 Report.

In addition, we continued our practice of auditing selected issues and commitments made by ministers in their responses to petitions. In 2007–08, we audited departmental progress in responding to recommendations made in four previous petitions response audits. The results of this work were reported to Parliament in our Status Report in March 2008.

Exhibit 13—Ministers respond on time to petitions received



Our measures of organizational performance

Through selected measures designed to evaluate organizational performance, we gather information on how efficiently and effectively the Office itself is functioning (Exhibits 14 and 15). The measures involve items for which the outcome is largely under the control of the Office.

Our work is delivered on time and on budget

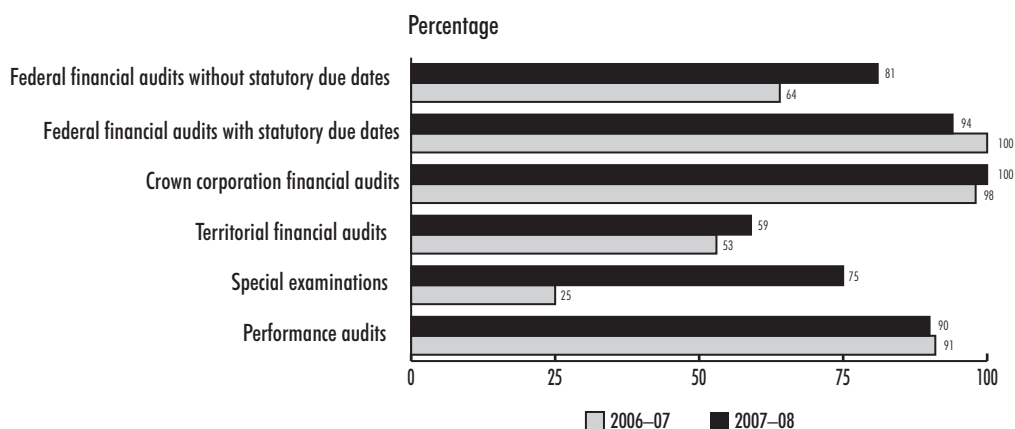
On time. For performance audits, the Office determines when individual audit reports will be tabled in the House of Commons; thus, there are no statutory deadlines for these reports. However, we do communicate to the Public Accounts Committee our planned tabling schedule for performance audits for the coming fiscal year. In our *2007–08 Report on Plans and Priorities*, 31 performance audits were listed as planned for tabling during the current fiscal year. For federal performance audits, 27 were tabled as planned and one was cancelled. For territorial performance audits, one of the three was tabled as planned, one was late, and one was tabled three months later than planned at the request of the territorial government. Details of the audits tabled are in Section IV—Supplementary Information.

All federal Crown corporation financial audits were completed on time, meeting our target of 100 percent, and 94 percent of audits of other federal organizations with a statutory deadline were completed on time (Exhibit 14). Completing audits of other federal organizations without a statutory deadline on time can be more challenging as these entities are not always ready to be audited within our self-determined deadline of 150 days after the period end. Nonetheless, in 2007–08, 81 percent of these audits were completed on time, less than our 2007–08 target of 100 percent. We have since revised our target to 70 percent for 2008–09.

Territorial financial audits present some unique challenges, including client readiness and a number of specific accounting and auditing issues. In 2007–08, 59 percent of these audits were completed on time, a slight improvement over 2006–07, though well below our target of 100 percent. We have revised our target to 55 percent for 2008–09 in recognition of territorial circumstances.

Seventy-five percent of our special examinations were completed on time in 2007–08, a significant improvement from 25 percent the previous year. Because of the previous year's results, the Office decided to plan to transmit completed reports six months before the statutory date. In addition, it developed a set of key principles to be applied in planning special examinations.

Exhibit 14—Our work is delivered on time



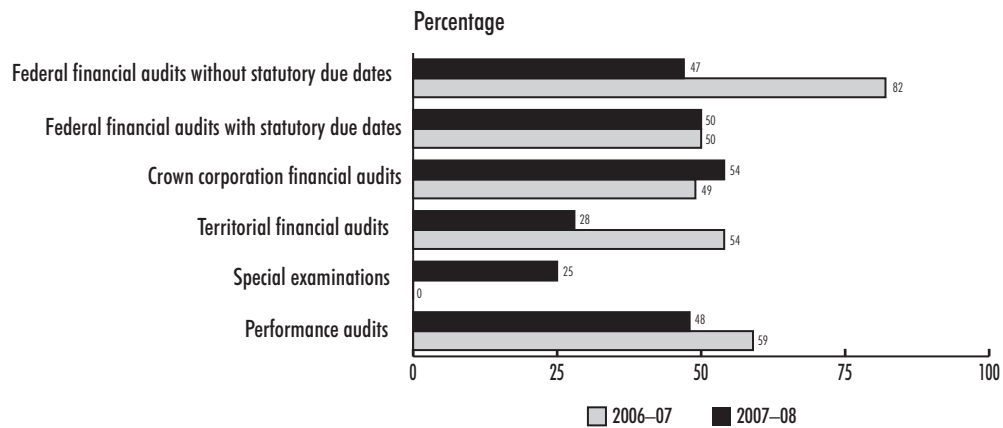
On budget. For all of our audits, being on budget is defined as completing the audit within 115 percent of the budgeted hours for the audit. This figure recognizes that factors outside the control of the audit team, such as client readiness and the number and complexity of audit issues identified, can affect time spent on an audit.

All of our on-budget results are well below our target of 70 percent (Exhibit 15).

While there are many reasons and possible explanations for why individual audits did not meet their budgets, overall the Office believes that these results mean that we can do a better job of planning, monitoring, and developing budgets for our audits. Our employee survey results also tell us that our staff believe we can do a better job of managing our allocation of staff to products.

Consequently, we have identified improving our overall project management, including better planning, budgeting, and resource allocation, as a strategic objective for the coming year. Some actions are already in place and others are being developed.

Exhibit 15—Our work is delivered on budget



Our quality management frameworks are operating effectively

Our audit work is guided by a rigorous methodology and quality management frameworks. External and internal reviews, based on our frameworks, provide the Auditor General with opinions as to whether our audits are conducted in accordance with established standards of professional practice, and whether our quality control system is appropriately designed and effectively implemented and applied.

External reviews. In 1999, we hired an audit firm to assess our quality management system for annual financial audits. In 2003, an international team of legislative auditors carried out a peer review of the Office’s quality management framework (QMF) for performance auditing. Both reviews found that our frameworks were suitably designed and operating effectively. The review of our QMF for performance auditing highlighted some good practices and made suggestions for improvement. Our action plan to address these suggestions has been completed and is available on our website under About Us. We have

started planning for the next review of our quality management frameworks for all of our audit product lines and related services, and we intend to have the review carried out in 2009–10.

In addition, the provincial institutes of chartered accountants review our compliance with professional standards for financial audits about every four years and determine whether our training of chartered accounting students meets their requirements. The recent reviews concluded that we were following professional standards and met their requirements.

Internal practice reviews. We conduct practice reviews of our financial audits, special examinations, performance audits, and assessments of agency performance reports by assessing their quality and compliance with our quality management frameworks. The frameworks are based on Office policies and professional standards. The reviews assure the Auditor General of the quality of our audits and that they are being conducted according to our quality management frameworks. They also provide managers with suggestions for improvement.

In 2007–08, we completed two internal practice reviews of performance audits. The reviews concluded that the audits were conducted according to our quality management framework. Suggestions for improvement focused on documentation and the quality reviewer function.

We were not able to meet our objective for 2007–08 of performing about 10 practice reviews due to our need to reassign staff to other office priorities, staff vacancies, and the retirement of our Chief Audit Executive in early 2008. Though we were unable to complete the planned reviews, the Office is still compliant with CICA (Canadian Institute of Chartered Accountants) standards to conduct a practice review of each of our practitioners at least once every four years.

As they are completed, the results of our practice reviews are published on our website under About Us.

Internal audits. We also audit our management and administration practices. These audits assure the Auditor General that the Office is complying with government and Office policies. They also provide managers with assessments and recommendations.

In 2007–08, we conducted one internal audit on staffing and followed up on previous audit work. We found that the Office has appropriate staffing processes in place to ensure compliance with the *Public Service Employment Act*, other applicable legislation, and Office policies. We did find cases, however, where staffing activities should be better documented to demonstrate compliance with the Act. We found several opportunities for improvement in the internal and external staffing processes. We discussed them with the Assistant Auditor General of Corporate Services and with staff of the Human Resources Group. They agreed with the recommendations.

As they are completed, the results of our internal audits are published on our website under About Us.

We provide a respectful workplace

The Office has set four objectives for providing a respectful workplace, each with its own indicators and targets:

- Provide a workplace environment where employees are satisfied and engaged.
- Promote a bilingual workplace.
- Assemble a workforce that represents the Canadian population.

- Ensure that qualified, capable employees are available to carry out our mandate.

Satisfied and engaged employees. Our target for this objective is to maintain a minimum level of 70 percent of employees being satisfied with their workplace. Our 2008 employee survey had a 93 percent response rate, which compares with the 90 percent rate in 2006 and is well above the 69 percent rate in 2004 and the 65 percent norm for most organizations. The results show that 88 percent of employees believe the Office is above average or one of the best places to work. This compares with overall employee satisfaction rates of 70 percent in 2004 and 82 percent in 2006 and with a 64 percent norm for most organizations (see methodological endnote 5 under Section IV—Supplementary Information).

Our challenge during the next year will be to maintain the high level of satisfaction and continue to look for ways to improve. In response to the 2006 employee survey, the Executive Committee committed to taking action in the following six areas: supervisory effectiveness, training, promotion process, career development, staffing, and effective communications. Implementation of the Corporate Action Plan began in December 2006. Our goal was to ensure that all the initiatives identified were well under way or completed before our 2008 employee survey. This goal was achieved and a final report presented to the Office's Executive Committee in the spring of 2008.

A bilingual workforce. The Office has improved its bilingual capacity in the management group, particularly for directors, with an increase from 59 percent in 2006–07 to 75 percent (our target) in 2007–08. (See methodological endnote 6 under Section IV—Supplementary Information.)

A representative workforce. The Office maintained its workforce at approximately the same level as the previous year, yet improved its relative levels of representation for all four designated groups. Three of the four designated groups were represented at levels greater than 100 percent of their workforce availability. For visible minorities, we have increased our level of representation to 83 percent of workforce availability.

Retention rate. Our retention rate of 86 percent for audit professionals has held steady in the past year and remains below our target of 90 percent. A retention and recruitment strategy has been developed and greater attention is being focused on specific target groups, especially in the accounting field, in order to increase our retention rate.

In addition to the positive performance for most of our respectful workplace indicators, we were pleased to be selected as one of Canada's top 100 employers and one of Canada's top 10 family-friendly employers for 2008—valuable recognitions that will enhance our recruitment efforts.

Significant long-term commitments

Sustainable development commitments and results

Sustainable development is the integration of environmental, economic, and social considerations in the development and implementation of government programs. Our 2007–2009 Sustainable Development Strategy was tabled in Parliament in December 2006 and is available on our website. It presents our plans to further integrate environmental considerations into our audit selection and planning decisions and our operational decision making. The targets we set and our progress to date are summarized in Exhibit 16.

Exhibit 16—Key sustainable development commitments and results

Commitment	Target	2007–08 Results	Details
Finalize the strategic audit plan for the Commissioner of the Environment and Sustainable Development.	By 2008	In progress	A long-term planning exercise was begun and a major risk assessment was completed and presented to the Office's Executive Committee in November 2006. In early 2008, the Office received the report of the independent Green Ribbon Panel, which was appointed to review the Office's environment and sustainable development practice. In response, the Office began to develop options for consideration by the new Commissioner of the Environment and Sustainable Development and the Auditor General on how to make full use of our mandate in environmental and sustainable development issues. The new Commissioner was appointed in May 2008 and his long-term strategic audit plan is expected to be completed within one year of that appointment.
Prepare long-term audit plans and individual performance audits using the Office's environmental risk assessment guide (4th E Practice Guide).	100% by the end of 2007	Long-term audit plans: 100%	Audit teams use the Guide's screening tool and consult with environmental specialists to identify and assess environmental risks when they are preparing long-term audit plans. Four long-term audit plans were presented to the Office's Executive Committee in 2007–08.
		Performance audits: 94%	Audit teams use the Guide's screening tool and consult with internal environmental specialists to determine if there are any important environmental issues related to their audit topic. While the Guide was used in planning 94% of audits, the required templates were completed in a timely manner for only 44% of audits. To address this issue, the Performance Audit Management Committee has since required that all Summary Examination Plans be signed off by our Environmental Specialist prior to their approval by the Committee.

Exhibit 16—Key sustainable development commitments and results (continued)

Commitment	Target	2007–08 Results	Details
Update and reissue the 4th E Practice Guide.	By the end of 2007	Achieved	The Practice Guide was reviewed and revised in the autumn of 2007 and approved by the Office’s practice development committee in December 2007.
Build a small specialist team dedicated to providing environmental and sustainable development advice and audit assistance.	By 2008	Achieved	A small team was assembled in the summer of 2007.
Provide our auditors with new training on the identification of environmental and sustainable development risks that apply to federal government organizations.	Starting in 2007	Achieved	A new advanced course on identifying and assessing environmental risks was developed and piloted in 2006. This course became part of the training curriculum for audit project leaders in 2007.
Refine and improve our generic audit criteria for environmental management in Crown corporations.	In 2007	Achieved	The generic criteria were revised in the fall and approved by the practice development committee in December 2007.
Provide enhanced support and advice to audit teams conducting special examinations where important environmental risks for Crown corporations have been identified.	100% of cases starting in 2007	100%	Enhanced support has included additional assistance to assess environmental risk, prepare audit programs, assess findings, and prepare client reports.
Increase use of Green Key/Leaf certified hotels in Canada with a rating of 3 or higher.	Establish baseline use in 2007; increase by 10% by 2009	Where green-certified hotels were available, we booked them almost 50% of the time.	Our staff booked more than 1,400 hotel reservations in 2007. In about one third of the cases, green-certified hotels were not available.
Increase use of compact rental cars where 1 or 2 passengers are travelling.	Establish baseline use in 2007; increase use by 10% by 2009	Where compact cars were available, we booked them 55% of the time where 1 or 2 passengers were travelling.	Our staff booked more than 180 car rentals in 2007, of which just over 60% involved 1 or 2 passengers. In 15% of those instances, compact cars were not available.

Our international contributions

The Office of the Auditor General has more than 50 years of experience in working with the international community in developing international accounting and auditing standards, building capabilities and professional capacities of national audit offices, sharing knowledge, and conducting audits of international organizations. These activities have helped improve the Office’s own legislative audit practice, fostered the transfer of knowledge and skills between audit offices, and strengthened organizations in the United Nations system. Our international strategy guides our international activities while positioning the Office to meet future opportunities and challenges.

International accounting and auditing standards are influencing Canada's public and private sector standards and will soon be mandatory in Canada for private sector enterprises. Setting of accounting and auditing standards is shifting from the domestic to the international arena. The Office plays an active role in shaping these standards, particularly as they relate to the public sector.

The Office is a member of the International Organization of Supreme Audit Institutions (INTOSAI) and is a member of several of its committees, including the Professional Standards Committee. The Auditor General chaired its Subcommittee on Supreme Audit Institution Independence. In November 2007, the Code of Independence that it helped develop was approved by the International Congress of Supreme Audit Institutions as part of the International Standards of Supreme Audit Institutions. The subcommittee was dissolved after completing its work.

The Auditor General assumed the chair of the Professional Standards Subcommittee on Accounting and Reporting Standards in November 2007. The Office is also a member of the Financial Audit Guidelines Subcommittee supporting and actively contributing to the work of developing high-quality guidelines for financial audit that are globally accepted for the audit of financial statements in the public sector.

In January 2008, the Auditor General became a member of the International Public Sector Accounting Standards Board of the International Federation of Accountants.

In addition, employees in the Office participate in various task forces of the International Auditing and Assurance Standards Board to revise and develop International Standards on Auditing. This expert participation helps to build public sector considerations into these international standards.

The Auditor General chaired the INTOSAI Working Group on Environmental Auditing (WGEA) until November 2007 and continues to support WGEA activities by providing assistance to the Auditor General of Estonia, who now chairs the WGEA. The working group assists supreme audit institutions to better understand environmental issues as well as to build their capacity to conduct audits of their governments' environmental protection and sustainable development activities, by preparing guidance materials, training auditors, and facilitating knowledge sharing among members.

The International Legislative Audit Office Assistance Program for Improved Governance and Accountability of the CCAF-FCVI Inc. was established in 1980 to strengthen performance auditing in national audit offices. Funded by the Canadian International Development Agency, the program brings auditors from national audit offices to Canada for 10 months of training in performance auditing, accountability, and governance. Training is provided by our Office and that of the Vérificateur général du Québec. Since 1980, the program has trained more than 186 fellows from 51 developing countries.

The Office has recently completed its audit mandate of the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the International Civil Aviation Organization. In early 2007, the Office was selected as the external auditor of the International Labour Organization effective in 2008.

Section III—Financial Performance

Parliamentary appropriations used

In 2007–08, the Office used \$82.3 million of the \$86.6 million in parliamentary appropriations approved. As a result, the Office lapsed \$4.3 million in 2007–08 (\$0.8 million in 2006–07). The \$86.6 million is composed of \$80.6 million in Main Estimates and a further \$6.0 million in Supplementary Estimates and adjustments and transfers. The \$6.0 million was routine in nature, including the carry-forward funding (\$1.9 million), various salary-related entitlements, such as economic increases and increases related to performance pay (\$2.2 million), and parental leave and severance payments (\$1.9 million) recovered from the Treasury Board of Canada Secretariat (through the contingency vote).

Like government departments and agencies, subject to parliamentary approval the Office may carry forward lapsed amounts of up to 5 percent of its operating budget (based on Main Estimates program expenditures) into the next fiscal year.

Cost of operations

In 2007–08, the net cost of operations before parliamentary appropriations for the Office was \$92.7 million, as reported in our audited financial statements (page 47). This increase of \$2.4 million (2.6 percent) from 2006–07 is mainly due to increases in salary and benefits of about \$1.3 million, professional services of \$0.7 million, and office accommodation of \$0.3 million. The increased salary costs are mainly due to annual economic increases and increased payments for performance pay, vacation pay, and overtime. The higher costs of professional services are due to the implementation of major technology projects. Refer to financial statements note 7 (page 55).

Full-time equivalents used

The Office used 608 full-time equivalent (FTE) employees in 2007–08, which represented 98.5 percent of our budget of 617 FTEs. Despite the ongoing challenges in recruiting and retaining staff, particularly accounting professionals, this represents a decrease of only 2 in the number of FTE employees used from last year. In 2006–07, we used 610 FTE employees, representing 102.5 percent of our budget of 595 FTE employees.

Analysis by subactivity

Our original 2007–08 budget of \$90.3 million was reported in the *2007–08 Report on Plans and Priorities*. We have since received parliamentary approval for a revised 2007–08 budget of \$91.4 million as reported in our *2008–09 Report on Plans and Priorities*. The 2007–08 revised budget (forecast spending) and actual spending are presented in Table 4—Financial and human resources and subactivities (page 41).

We manage costs for the Office as a whole and also for individual audits. Audit budgets are established for planned hours and planned costs of work. All direct salary, professional service, travel, and other costs associated with the delivery of individual audits and professional practice projects are charged directly to them. All other Office expenses, including employee leave, corporate services, and services provided without charge, are treated as overhead and allocated to audits and professional practice projects based on the direct hours charged to them. This year, the total direct hours charged to audits

and professional practice projects were lower, and the hours charged to corporate services and employee leave were higher. As a result, the cost of the corporate services allocated to audits and professional projects is higher than in previous years. The higher costs of corporate services are mainly due to work on corporate initiatives, such as the implementation of major new technology projects, office renovations, and the independent review of the implementation of our environment and sustainable development mandate.

The largest increase in the costs of subactivities was for the financial audits of Crown corporations, territorial governments, and other organizations (\$3.0 million), followed by the special examinations (\$2.5 million), the audit of the financial statements for the Government of Canada (\$0.5 million), and the monitoring of sustainable development activities and the environmental petitions process (\$0.4 million). The largest decrease in the costs of subactivities was for the performance audits (\$4.5 million). These variances between current and prior year subactivity costs are based on the Statement of Operations in our audited financial statements (page 47).

Performance audits and studies

(\$ millions)	2007–08		2006–07
	Actual costs	Budget	Actual costs
Performance audits and studies	39.5	39.5	44.0

The level of effort in this subactivity decreased compared with last year's effort. This decrease (\$4.5 million) reflects, in part, the need to reallocate resources to special examinations, where our level of effort increased significantly this year, and the decision to table one less report in 2007–08.

Financial audits of Crown corporations, territorial governments, and other organizations

(\$ millions)	2007–08		2006–07
	Actual costs	Budget	Actual costs
Financial audits—Crown corporations, territorial governments, and other organizations	29.6	27.6	26.6

More overhead expenses were allocated to this subactivity, which explains the majority of the change in audit costs from last year to this year, and the difference between actual results and budgeted results. Part of the increase is also due to audits we completed for the first time, including the Public Sector Pension Investment Board (joint audit), the Yukon Hospital, the opinion to provincial governments on control procedures at the Canada Revenue Agency, and our first audit of VIA Rail Inc. as the sole auditor.

However, these increases were mostly offset by reductions in other financial audits, including the reduction attributable to the end of our mandate as auditor of the United Nations Educational, Scientific and Cultural Organization (UNESCO).

Special examinations of Crown corporations

(\$ millions)	2007–08		2006–07
	Actual costs	Budget	Actual costs
Special examinations of Crown corporations	6.8	7.4	4.3

The total cost of conducting special examinations of Crown corporations varies depending on the number of examinations under way each year; their nature, size, and complexity; and the risk levels of the corporations being examined. In 2007–08, we worked on 20 special examinations, of which 8 were completed, compared with the 12 we worked on in 2006–07, of which 4 were completed.

Sustainable development monitoring activities and environmental petitions

(\$ millions)	2007–08		2006–07
	Actual costs	Budget	Actual costs
Sustainable development monitoring activities and environmental petitions	3.2	2.1	2.8

The cost of this subactivity was higher than planned due to additional work conducted on audits of responses to environmental petitions and a detailed quality assessment of recent sustainable development strategies.

Financial tables

Table 1—Comparison of planned to actual spending (including full-time equivalents)						
(\$ millions)	2005–06	2006–07	2007–08			
	Actual	Actual	Main Estimates	Planned spending	Total authorities	Total actuals
Legislative auditing	76.8	77.8	80.6	80.6	86.6	82.3
Less: Non-respendable revenue ¹	(1.1)	(0.7)		(0.5)	(0.4)	(0.4)
Plus: Cost of services received without charge	9.9	11.0		10.2	11.0	11.0
Net cost of program	85.6	88.1		90.3	97.2	92.9
Full-time equivalents	577	610		617		608

¹ The Office charges fees to recover direct costs for the audit of the International Civil Aviation Organization (ICAO). These fees represent the major source of non-respendable revenue.

Table 2—Voted and statutory items					
		2007–08 (\$ millions)			
Vote or statutory item	Vote or statutory wording	Main Estimates	Planned spending	Total authorities ¹	Total actuals
15	Program expenditures	71.5	71.5	77.5	73.2
(S)	Contributions to employee benefit plans	9.1	9.1	9.1	9.1
	Total	80.6	80.6	86.6	82.3

¹ The difference between Main Estimates and total authorities represents adjustments and transfers.

Table 3—Services received without charge		2007–08 actual spending (\$ millions)
Accommodations provided by Public Works and Government Services Canada		7.0
Contributions covering the employer's share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat (excluding revolving funds)		4.0
Services received without charge		11.0

Table 4—Financial and human resources and subactivities

Financial resources 2007–08 (\$ millions)		
Forecast spending¹	Total Authorities	Net Cost of Program
\$91.4	\$97.2	\$92.9
Human resources 2007–08 (full-time equivalents)		
Planned	Actual	Difference
617	608	9
Program activity: Legislative auditing (\$ millions)		
Subactivities²	Forecast spending 2007–08	Actual spending 2007–08
Performance audits and studies	39.5	39.5
Financial audits of Crown corporations, territorial governments, and other organizations	27.6	29.6
Special examinations of Crown corporations	7.4	6.8
Audit of the summary financial statements of the Government of Canada	4.9	5.2
Sustainable development monitoring activities and environmental petitions	2.1	3.2
Assessments of agency performance reports	1.1	1.0
Professional practices	9.2	7.8
Subtotal	91.8	93.1
Less: Non-respendable revenue	(0.4)	(0.4)
Net cost of operations reported in our financial statements		92.7
Differences due to accrual accounting (GAAP) ³		0.2
Net cost of program	91.4	92.9

¹ Forecast spending is as reported in the *2008–09 Report on Plans and Priorities*.

² We have allocated the cost of audit services to each subactivity.

³ The net cost of operations reported in our audited financial statements, prepared in accordance with Canadian generally accepted accounting principles (GAAP), is \$92.7 million, or \$0.2 million less than the net cost of program reported above. Accounting for capital assets, employee benefits, and prepaid expenses accounts for the difference.

Table 5—Total value of professional services contracts

	Contracts with fees less than \$25,000 ¹			Contracts with fees \$25,000 or more ¹		
	(\$ thousands)	Number	Percentage	(\$ thousands)	Number	Percentage
Competitive contracts	781.3	62	12	2,484.1	40	100
Non-competitive contracts	3,863.9	470	88	–	–	–
Total	4,645.2	532	100	2,484.1	40	100

¹All amounts include fees, expenses, and GST.

Details on individual contracts are available on the OAG website. In the 2007 calendar year, the Office reported the original contract value for professional services and procurement of goods and services with values over \$10,000 (with GST). For contracts issued after 1 January 2008, the total value (original value plus any amended value) over \$10,000 (with GST) will be reported on our website.

Table 5 highlights the Office's contracting activity for professional services in 2007. The Auditor General's power to enter into contracts for professional services is subject to subsection 15(2) of the *Auditor General Act* and not the Government Contracts Regulations. The Auditor General's policy on contracting for professional services requires that contracts for estimated professional fees of \$25,000 or more be awarded through competition, unless they meet one of the three criteria for exemption: the need is one of pressing urgency, it is not in the public interest to solicit bids due to the nature of the work, or there is only one person capable of performing the work. Contracts that exceed the North American Free Trade Agreement (NAFTA) threshold follow NAFTA rules.

Table 6—Travel and hospitality expenses

Disclosure of the travel and hospitality expenses for the Auditor General, the Deputy Auditor General, the Commissioner of the Environment and Sustainable Development, and the Assistant Auditors General is available on our website under About Us.

The Office follows the Treasury Board Travel Directive, rates, and allowances, the Special Travel Authority, and the Treasury Board Hospitality Policy.

Table 7—Office memberships¹

	(\$ thousands)
CCAF-FCVI Inc.	380.0
Conference Board of Canada	11.8
Association of Professional Executives of the Public Service of Canada	8.5
Head of Federal Agencies Secretariat	6.0
Public Policy Forum	5.5
Association des institutions supérieures de contrôle ayant en commun l'usage du français	1.1

¹The Office participates and supports professional organizations related to its legislative auditing program. The Office also pays individual employee membership fees to a variety of professional organizations.

Table 8—Compensation and benefits

The following is a summary of compensation and selected benefits paid to the Office employees by level. Office employees receive benefits comparable to other federal government employees, which are not included in this table.

Position	FTEs ¹	Salary (\$)	Bilingual bonus (\$)	Performance pay ² (\$)	Automobile ³ (\$)	Club membership ⁴ (\$)	Total (\$)
Auditor General	1	299,800 ⁵			3,681	588	304,069
Deputy Auditor General	1	196,455–235,160		0–35,970			196,455–271,130
Assistant auditors general and Commissioner of the Environment and Sustainable Development	14	155,000–184,850		0–28,300			155,000–213,150
Senior principals	5	111,310–161,265		0–24,690			111,310–185,955
Principals	51	111,310–143,565		0–16,500			111,310–160,065
Senior directors	4	86,865–129,020		0–14,850			86,865–143,870
Directors	106	86,865–115,195		0–13,300			86,865–128,495
Auditors	241	42,556–94,464	800	0–3,000			42,556–98,264
Audit service officers	81	51,869–86,366	800				51,869–87,166
Audit service specialists	104	32,430–61,309	800				32,430–62,109
	608						

¹ Full-time equivalents (FTEs) utilized in the fiscal year 2007–08.

² Amounts represent the range that levels are eligible to receive in performance pay.

³ Taxable benefit for the personal use of an automobile for the 2007 calendar year.

⁴ The Office paid a club membership for the Auditor General.

⁵ The salary of the Auditor General is set by statute under subsection 4(1) of the *Auditor General Act* and is equal to the salary of a puisne judge of the Supreme Court of Canada.

Financial statements



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

Management's statement of responsibility

Management of the Office of the Auditor General of Canada is responsible for the preparation of the accompanying financial statements and related information contained in this *2007–08 Performance Report*. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector. Where alternative accounting methods exist, management has chosen methods that it believes to be appropriate in the circumstances. Where estimates or judgments have been required, management has determined such amounts on a reasonable basis. Financial information disclosed elsewhere in this performance report is consistent with these audited financial statements.

In meeting its reporting responsibility, management has established and followed policies and procedures and systems of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, operations are in compliance with governing authorities, and financial information is reliable. Selected internal control systems are periodically tested and evaluated by the internal auditors, and management takes any action necessary to respond appropriately to their recommendations. Management recognizes the limits inherent in all systems of internal control but believes the Office has established effective and responsive systems of internal control through the careful selection of employees, appropriate division of responsibilities, training and other professional development activities, and development of formal policies and procedures.

The Office's Executive Committee oversees management's preparation of the financial statements and ultimately approves the financial statements and related disclosures following a recommendation from the Office's Audit Committee. As a basis for recommending approval of the financial statements to the Executive Committee, the Audit Committee reviews selected internal controls and the accounting policies employed by the Office for financial reporting purposes. The Audit Committee also meets independently with the Office's internal and external auditors to consider the results of their work.

The external auditors' report, as to the fairness of presentation of these financial statements in conformity with Canadian generally accepted accounting principles for the public sector, is included in this performance report.

Handwritten signature of Sheila Fraser in black ink.

Sheila Fraser, FCA
Auditor General of Canada

Handwritten signature of Jean Landry in black ink.

Jean Landry, CGA
Comptroller

Ottawa, Canada
26 June 2008

Auditors' report

To the Speaker of the House of Commons

We have audited the statement of financial position of the Office of the Auditor General of Canada as at 31 March 2008 and the statements of operations, deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at 31 March 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the transactions of the Office that have come to our notice during our audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations and the *Auditor General Act*.

Welch LLP
Lévesque Marchand S.E.N.C.

Welch LLP
Lévesque Marchand S.E.N.C.
Chartered Accountants
Licensed Public Accountants

Ottawa, Canada
26 June 2008


Office of the Auditor General of Canada
Statement of Financial Position
as at 31 March

	2008	2007
Assets	(in thousands of dollars)	
Current assets		
Due from the Consolidated Revenue Fund	8,242	6,642
Accounts receivable	155	680
Prepaid expenses	281	265
	8,678	7,587
Capital assets (note 4)	4,375	4,388
	13,053	11,975
Liabilities and Deficit		
Current liabilities		
Accounts payable and accrued liabilities		
Due to employees	4,465	3,605
Due to others	2,700	2,401
Vacation pay	3,493	3,360
Current portion of employee future benefits (note 5)	1,787	2,668
	12,445	12,034
Employee future benefits (note 5)	11,273	10,843
Deficit (note 6)	(10,665)	(10,902)
	13,053	11,975

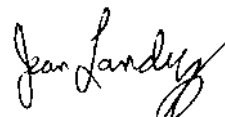
Contingencies (note 9)

The accompanying notes are an integral part of these financial statements.

Approved by



Sheila Fraser, FCA
Auditor General of Canada



Jean Landry, CGA
Comptroller

Office of the Auditor General of Canada
Statement of Operations
for the year ended 31 March

	2008	2007
Expenses (note 7)	(in thousands of dollars)	
Performance audits and studies	39,525	43,942
Financial audits of Crown corporations, territorial governments, and other organizations	29,603	26,600
Special examinations of Crown corporations	6,746	4,342
Audit of the summary financial statements of the Government of Canada	5,188	4,704
Monitoring sustainable development activities and the environmental petitions process	3,156	2,838
Assessments of agency performance reports	978	1,063
Total cost of audits	85,196	83,489
Professional practices (note 8)	7,834	7,498
Total cost of operations	93,030	90,987
Costs recovered		
International audits	274	478
Other	89	200
Total costs recovered	363	678
Net cost of operations before parliamentary appropriations	92,667	90,309
Parliamentary appropriations used (note 3)	82,322	77,767
Net cost of operations after parliamentary appropriations	10,345	12,542

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Statement of Deficit
for the year ended 31 March

	2008	2007
	(in thousands of dollars)	
Deficit, beginning balance	(10,902)	(8,704)
Net cost of operations after parliamentary appropriations	(10,345)	(12,542)
Services provided without charge by other government departments (note 7)	10,945	11,022
Costs recovered	(363)	(678)
Deficit, ending balance	(10,665)	(10,902)

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Statement of Cash Flows
for the year ended 31 March

	2008	2007
Operating activities	(in thousands of dollars)	
Cash payments	(80,112)	(77,267)
Cash receipts	610	1,462
Parliamentary appropriations used (note 3)	82,322	77,767
Cash provided from operating activities	2,820	1,962
Capital investment activities		
Capital asset acquisitions	(1,220)	(485)
Proceeds from the disposal of capital assets	–	4
Cash used in capital investment activities	(1,220)	(481)
Increase in Due from the Consolidated Revenue Fund during the year	1,600	1,481
Due from the Consolidated Revenue Fund, beginning of year	6,642	5,161
Due from the Consolidated Revenue Fund, end of year	8,242	6,642

The accompanying notes are an integral part of these financial statements.

Office of the Auditor General of Canada
Notes to the financial statements for the year ended 31 March 2008

1. Authority and objective

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

The program activity of the Office of the Auditor General of Canada is legislative auditing and consists of performance audits and studies of departments and agencies; audit of the summary financial statements of the Government of Canada; financial audits of Crown corporations, territorial governments, and other organizations; special examinations of Crown corporations; sustainable development monitoring activities and environmental petitions; and assessments of agency performance reports.

The Office is funded through annual appropriations received from the Parliament of Canada and is not taxable under the provisions of the *Income Tax Act*.

Pursuant to the *Financial Administration Act*, the Office is a department of the Government of Canada for the purposes of that Act and is listed in Schedule 1.1, and is a separate agency for the purposes of Schedule V.

2. Significant accounting policies

a) Basis of presentation

The financial statements of the Office have been prepared in accordance with Canadian generally accepted accounting principles for the public sector.

b) Parliamentary appropriations

The Office is funded by the Government of Canada through annual parliamentary appropriations. Parliamentary appropriations are reported directly in the Statement of Operations in the fiscal year for which they are approved by Parliament and used by the Office.

In prior years, the parliamentary appropriations were presented in the Statement of Deficit. In management's opinion, the new presentation better reflects the results of the Office's operations. However, this change has no effect on the Statement of Financial Position or Statement of Cash Flows.

c) Costs recovered

The costs of audits are paid from monies appropriated by Parliament to the Office. Fees for international audits generally recover direct costs and are recorded on an accrual basis. Amounts recovered are deposited in the Consolidated Revenue Fund and are not available for use by the Office. Other costs recovered represent adjustments to prior year's payables and refund of prior years' expenses.

d) Due from the Consolidated Revenue Fund

The financial transactions of the Office are processed through the Consolidated Revenue Fund of the Government of Canada. The Due from the Consolidated Revenue Fund balance represents the amount of cash that the Office is entitled to draw from the Consolidated Revenue Fund, without further appropriations, in order to discharge its liabilities.

e) Capital assets

Capital assets are recorded at historical cost less accumulated amortization. The Office capitalizes the costs associated with the development of software used internally including software licences, installation costs, professional service contract costs, and salary costs of employees directly associated with these projects. The costs of software maintenance, project management and administration, data conversion, and training and development are expensed in the year incurred.

Amortization of capital assets begins when assets are put into use and is recorded by the straight-line method over the estimated useful lives of the assets as follows:

Capital assets	Useful life
Furniture and fixtures	7 years
Leasehold improvements	10 years
Informatics software	3 years
Informatics hardware and infrastructure	3 years
Office equipment	4 years
Motor vehicle	5 years

f) Vacation pay

Vacation pay is expensed as benefits accrue to employees under their respective terms of employment using the employees' salary levels at year end. Vacation pay liabilities represent obligations of the Office that are funded through parliamentary appropriations.

g) Employee future benefits

i) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Office's contributions are currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Office's contributions are expensed during the year in which the services are rendered and represent its total pension obligation. The Office is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

ii) Severance benefits

Employees are entitled to severance benefits, as provided for under their respective terms of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. Management determined the accrued benefit obligation using the employees' salary at year end. Severance benefits are funded through appropriations once employees' departures are confirmed.

h) Services provided without charge by other government departments

Services provided without charge by other government departments are recorded as operating expenses by the Office at their estimated cost. A corresponding amount is reported directly in the Statement of Deficit.

i) Allocation of expenses

The Office charges all direct salary, professional service, travel, and other costs associated with the delivery of individual audits and professional practice projects directly to them. All other expenses, including services provided without charge, are treated as overhead and allocated to audits and professional practice projects based on the direct hours charged to them.

j) Measurement uncertainty

These financial statements are prepared in accordance with Canadian generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Capital assets and employee severance benefits are the most significant items for which estimates are used. Actual results could differ significantly from those estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Parliamentary appropriations

The Office is funded through annual parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Deficit in one year may be funded through parliamentary appropriations in prior and future years. Accordingly, the Office's net cost of operations for the year based on Canadian generally accepted accounting principles is different than total appropriations used for the year. These differences are reconciled as follows:

a) Reconciliation of net cost of operations to current year appropriations used

	2008	2007
	(in thousands of dollars)	
Net cost of operations before parliamentary appropriations	92,667	90,309
Less: Expenses not requiring the use of appropriations		
Amortization of capital assets	(1,229)	(1,282)
Write-off of informatics software under development	–	(578)
Services provided without charge by other government departments	(10,945)	(11,022)
Add: Costs recovered	363	678
	80,856	78,105
Changes in Statement of Financial Position amounts not affecting the current year use of appropriations ¹	246	(823)
Current year appropriations applied to operations	81,102	77,282
Capital asset acquisitions funded by appropriations	1,220	485
Current year appropriations used	82,322	77,767

¹ Components of this amount are prepaid expenses, due to employees, vacation pay, and severance benefits.

b) Reconciliation of appropriations provided to current year appropriations used

	2008	2007
Appropriations:	(in thousands of dollars)	
Voted—operating expenditures	77,482	69,720
Statutory contributions to employee benefit plans	9,146	8,834
Proceeds from disposal of capital assets	–	4
Current year appropriations provided	86,628	78,558
Less: Lapsed appropriations ¹	4,306	791
Current year appropriations used	82,322	77,767

¹Subject to parliamentary approval, the Office is allowed to carry forward into the next fiscal year its lapsed appropriations after adjustments up to a maximum of 5 percent of its main estimates operating budget. In 2007–08, the Office had \$3.8 million (\$1.9 million in 2006–07) in lapsed appropriations after adjustments. However, the maximum allowed for carry forward into 2008–09 is \$3.6 million (\$3.2 million in 2006–07).

4. Capital assets

	Cost				Accumulated amortization				2008	2007
	Opening balance	Acquisitions	Disposals	Closing Balance	Opening balance	Amortization	Disposals	Closing Balance	Net book value	Net book value
(in thousands of dollars)										
Furniture and fixtures	4,379	117		4,496	2,399	626		3,025	1,471	1,980
Informatics software	3,466	477	54	3,889	3,103	182	54	3,231	658	363
Leasehold improvements	2,796	492		3,288	1,014	274		1,288	2,000	1,782
Office equipment	1,043	10	14	1,039	998	32	10	1,020	19	45
Informatics hardware and infrastructure	886	124	159	851	697	108	159	646	205	189
Motor vehicle	30			30	1	7		8	22	29
	12,600	1,220	227	13,593	8,212	1,229	223	9,218	4,375	4,388

Amortization expense for the year ended 31 March 2008 is \$1.2 million (\$1.3 million in 2007).

5. Employee future benefits

a) Pension benefits

The Office and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. The Office's and employees' contributions represent the total pension obligation to the Public Service Pension Plan, and are as follows:

	2008	2007
	(in thousands of dollars)	
Office's contributions	6,667	6,511
Employees' contributions	2,884	2,825

b) Severance benefits

The Office provides severance benefits to its employees based on years of service and salary at termination of employment. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Benefits will be paid from future appropriations. Information about the plan, measured as at 31 March, is as follows:

	2008	2007
	(in thousands of dollars)	
Severance benefit obligation, beginning of year	13,511	13,059
Expense for the year	1,223	1,317
Benefits paid during the year	(1,674)	(865)
Severance benefit obligation, end of year	13,060	13,511

6. Deficit

The deficit represents liabilities incurred by the Office, net of capital assets and prepaid expenses, that have not yet been funded through appropriations. Significant components of this amount are employee severance benefits and vacation pay liabilities.

7. Summary of expenses by major classification

Summary of expenses by major classification for the years ended 31 March are as follows:

	2008	2007
	(in thousands of dollars)	
Salaries and employee benefits	69,599	68,332
Professional services	8,343	7,587
Office accommodation	6,975	6,661
Travel and communication	4,269	4,187
Informatics, informatics maintenance and repairs, office equipment, and furniture and fixtures	2,470	2,273
Materials, supplies, and other payments	773	616
Printing and publications services	601	753
Write-off of informatics software under development ¹	–	578
Total cost of operations	93,030	90,987

In 2008, the total cost of operations included services provided without charge by other government departments totalling \$11.0 million (\$11.0 million in 2007). This is composed of \$7.0 million (\$6.7 million in 2007) for accommodation and \$4.0 million (\$4.4 million in 2007) for the employer's contributions to the Public Service Health Care Plan and the Public Service Dental Plan.

¹A data warehouse software under development to integrate financial information from several source systems was written-off in 2006–07 due to the upcoming implementation of a new financial system.

8. Professional practices

The Office works with other legislative audit offices and professional associations such as the Canadian Institute of Chartered Accountants to advance legislative audit methodology, accounting and auditing standards, and best practices. International activities include participation in organizations and events that have an impact on our work as legislative auditors. External review includes the cost of participating in the external reviews of other national legislative audit offices and being the subject of an external review.

	2008	2007
	(in thousands of dollars)	
Methodology and knowledge management	3,183	2,711
International activities	3,112	3,711
External review	531	86
Canadian Council of Legislative Auditors	525	541
Participation in standard-setting activities	483	449
Professional practices	7,834	7,498

9. Contingencies

In 2000–01, the Public Service Alliance of Canada filed a pay equity suit against the Crown alleging that discrimination based on sex had occurred between 1982 and 1997 in seven separate employers. The Office, although not a party to the suit, is one of the seven employers named in the suit. The Alliance requests that the Treasury Board of Canada Secretariat or the responsible employer retroactively increase the wage rates of employees of specific separate employers to remedy the discrimination. No amount is specified in the claim. In the opinion of management, the estimated amount of the contingent liability for employees of the Office of the Auditor General employed by the Office between 1982 and 1997 is about \$5.9 million. Further, in the opinion of management, the outcome of the suit is not determinable at this time and, accordingly, no liability has been recognized in the financial statements.

10. Related party transactions

The Office is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Office enters into transactions with these organizations in the normal course of business and on normal trade terms. As Parliament’s auditor, the Office is mindful of its independence and objectivity when entering into any such transactions. The Office provides audit services without charge to federal departments and agencies; Crown corporations; territorial governments; and other organizations.

In 2008, the Office incurred expenses of \$22.7 million (\$22.4 million in 2007) and recovered expenses of \$2.0 million (\$3.7 million in 2007) from transactions in the normal course of business with other government departments, agencies, and Crown corporations. These expenses include services provided without charge of \$11.0 million (\$11.0 million in 2007) as described in note 7.

As at 31 March, the accounts receivable and payable with other government departments and Crown corporations are as follows:

	2008	2007
	(in thousands of dollars)	
Accounts receivable	86	510
Accounts payable	316	619

These amounts are included respectively in accounts receivable and due to others on the statement of financial position.

11. Financial instruments

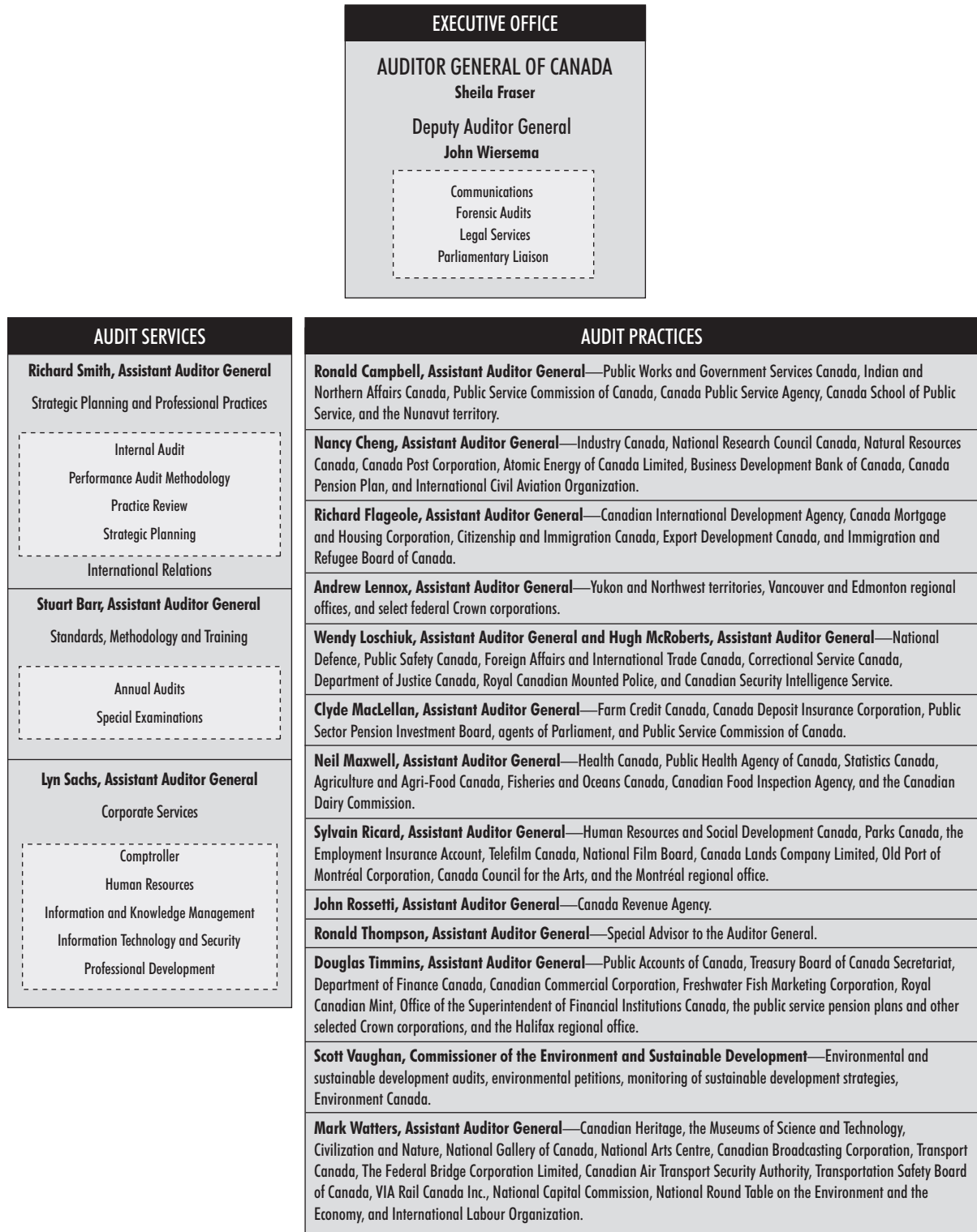
The fair value of Due from the Consolidated Revenue Fund, accounts receivable, accounts payable, and accrued liabilities approximates their respective book values due to their short term to maturity.

12. Comparative figures

Certain 2006–07 comparative figures have been reclassified to conform to the presentation adopted in 2007–08.

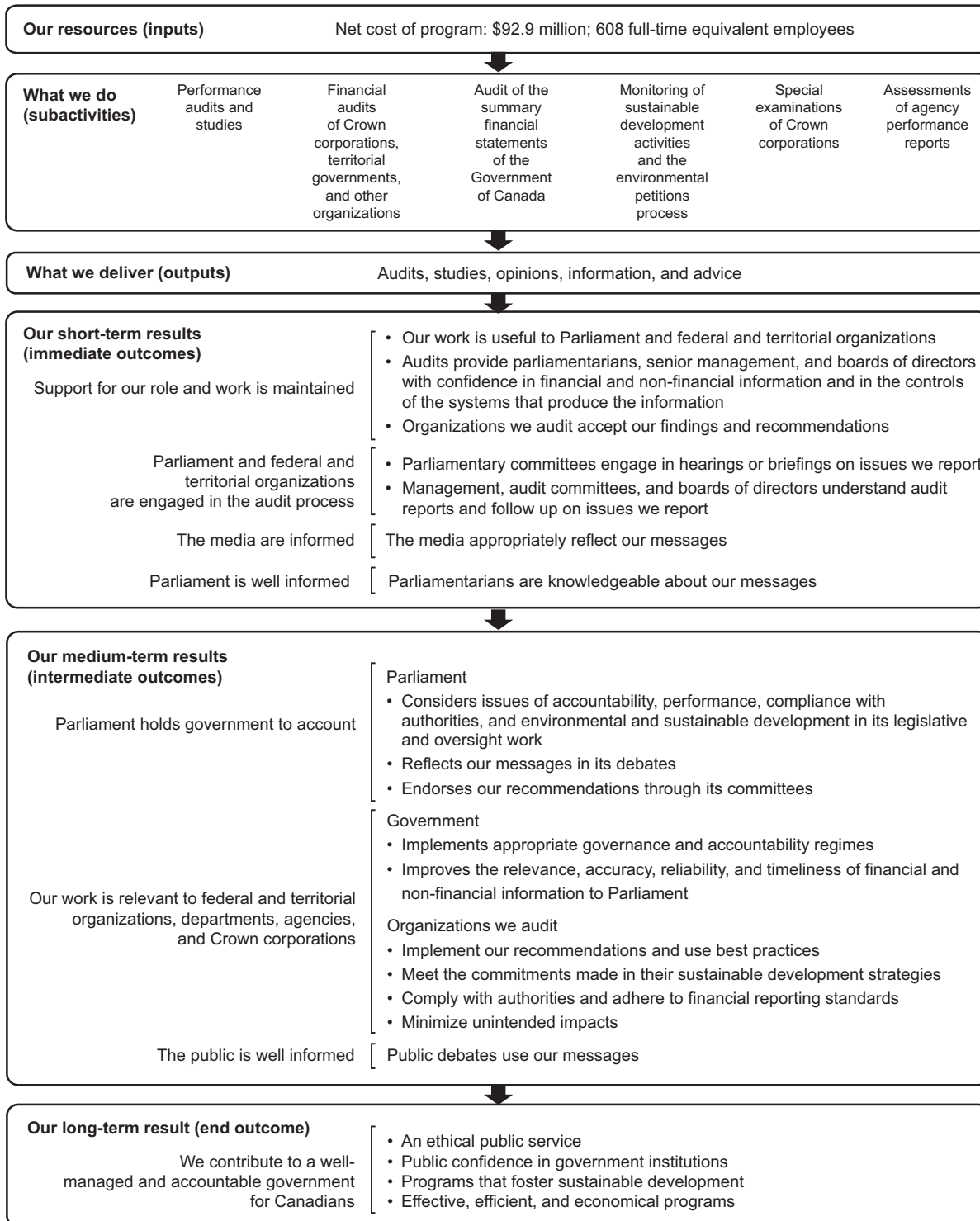
Section IV—Supplementary Information

Organizational chart



June 2008

Results chain



Report on staffing

The Auditor General has received the staffing authorities of the Public Service Commission directly through the *Auditor General Act*. Since the Commission must report annually to Parliament for the previous fiscal year on matters under its jurisdiction, the Office of the Auditor General believes it should also report annually on the Office’s staffing.

The table below takes into account the Public Service Commission’s Staffing Management Accountability Framework. It summarizes the five areas of accountability and identifies the indicators present in the Office. The framework is intended to ensure a values-based staffing system through which the principles of merit and non-partisanship are applied in accordance with the core values of fairness, transparency, and access.

Staffing: Areas of accountability and indicators

Governance: The process of exercising authority and establishing a well-defined structure and administration in order to support the achievement of desired results.

1. Roles and responsibilities in staffing are clearly defined.	<ul style="list-style-type: none"> The Executive Committee approved a written delegation of authority for human resources (HR) management in 2005–06.
2. The Office is resourced to deliver on its staffing priorities.	<ul style="list-style-type: none"> There were about 281 staffing actions in 2007–08. Two staffing officers plus an assistant met the demands. A benchmarking exercise supported the belief that these resources are sufficient.
3. The Office has implemented practices that ensure continuous learning on the subject of staffing.	<ul style="list-style-type: none"> The staffing officers, who must participate in a minimum of 20 hours per year of learning, have taken available training on staffing, both internally and externally. New appointees to the Management Group (directors and principals) are required to attend a full-day transition session. Issues discussed include HR responsibilities and staffing.
4. A structure and/or mechanisms are in place to facilitate decision making by senior management on staffing issues, and enable the collaboration of all stakeholders, including bargaining agents.	<ul style="list-style-type: none"> The Human Resources Committee is tasked with addressing HR issues, such as the Office’s promotion processes. Two members of this committee are nominated by the union. The Human Resources Committee, convened with only its five assistant auditors general members, is tasked with overseeing larger human resource issues such as HR policies and staffing strategies. The full Executive Committee regularly addresses issues of staffing, rotation, and succession planning.

Planning: In a staffing environment, planning is defined as a process that identifies current and future staffing needs for an organization to achieve its goals.

<p>1. Senior management gives clear direction and sets priorities that enable values-based staffing.</p>	<ul style="list-style-type: none"> Staffing needs are assessed annually by the Deputy Auditor General and the assistant auditors general (AAGs). Based on these needs and the Office's budget, full-time equivalent (FTE) positions are allocated to each AAG. The AAGs are then accountable, with the help of HR, to staff these FTE positions as necessary.
<p>2. Human Resources planning, integrated with business planning, enables the organization to identify its current and future human resource needs.</p>	<ul style="list-style-type: none"> In 2007–08, under the direction of the Executive Committee, Human Resources implemented initiatives from our integrated multi-year recruitment and retention strategy prepared in 2006–07. The strategy includes an analysis of internal and external business issues that will have an impact on the availability and assigning of resources.
<p>3. Staffing is consistent with Human Resources planning and variances can be explained.</p>	<ul style="list-style-type: none"> Each group within the Office has a budgeted FTE count. The Assistant Auditor General for each group is responsible for ensuring that this FTE count is fully used and not exceeded. The AAG is held accountable by the Auditor General for being over or under this level.

Policy: Appointment decisions must first and foremost adhere to the new *Public Service Employment Act* and other pertinent statutory instruments, including the *Canadian Charter of Rights and Freedoms*, *Canadian Human Rights Act*, *Official Languages Act*, and *Employment Equity Act*.

<p>1. The Office implements and maintains policies that help it address significant issues in its appointment processes.</p>	<ul style="list-style-type: none"> Office practices and procedures conform to all pertinent statutory instruments. In 2007–08, we began to formally document our practices and procedures. For 2007–08, all of our indeterminate appointments were completed using a competitive process. During the same period, 73.3 percent of indeterminate appointments were open to the public.
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Communication: Communication ensures the integrity of the appointment process by being transparent, easy to understand, timely, and accessible, and by including the relevant stakeholders.

<p>1. Stakeholders have access to timely staffing information, including information about staffing strategies and decisions.</p>	<ul style="list-style-type: none"> All competitions are advertised in both languages internally. Competitions open to people outside the Office are advertised on our website ("Careers"). Most of them were also posted on Workopolis.com. The multi-year recruitment and retention strategy is available to Office staff on the Intranet.
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Control: In a staffing context, control means the ongoing monitoring of information, the assessment of actual performance in relation to planned results, the correction of deviations, and the reporting of results.

<p>1. Quality and timely human resources information is available to support staffing strategies and decisions.</p>	<ul style="list-style-type: none"> • A semi-annual HR report is produced detailing the number of hires, departures, and turnover rate. It also highlights reasons for departures and anticipated retirement rates. • Monthly reports are produced identifying open positions and positions staffed during the previous month. • Regular meetings are held between staffing officers and managers to review progress on open positions.
<p>2. The delegated organization monitors staffing on a continuing basis.</p>	<ul style="list-style-type: none"> • The Director, Human Resources monitors all exceptions to staffing rules. • There have been three acting appointments exceeding 12 months. • Waivers are obtained from the Auditor General for all hirings at the director/principal level that do not meet language requirements. • Standards for documentation of staffing files are followed. • Apart from our accounting trainees, there have been only five term appointments for periods of over 12 months.

List of completed performance audits

The following is a list of the performance audits planned for in our 2007–08 *Report on Plans and Priorities* and the performance audits that were actually completed.

Performance audit	Included in 2007–08 Plan	Reported in 2007–08
Farm income support programs	Spring 2007	√
Management of human resources at Foreign Affairs and International Trade	Spring 2007	√
Federal loans and grants for post-secondary education	Spring 2007	√
Use of acquisition and travel cards	Spring 2007	√
Legal services for the Government of Canada	Spring 2007	√
Modernizing Canada's NORAD system—National Defence	Spring 2007	√
Management of forensic laboratory services by the Royal Canadian Mounted Police	Spring 2007	√
Training and learning at Canada Revenue Agency	Fall 2007	√
Balancing security and facilitating trade by Canada Border Services Agency	Fall 2007	√
Military health care at National Defence	Fall 2007	√
Management of the 2006 Census	Fall 2007	√
Management and control practices in small entities	Fall 2007	√
The industrial security policy of Public Works and Government Services Canada	Fall 2007	√
The Inuvialuit Final Agreement	Fall 2007	√
Research and innovation	Fall 2007	Cancelled
Environmental petitions	Fall 2007	√
Are sustainable development strategies making a difference?	Fall 2007	√
Managing selected substances under the <i>Canadian Environmental Protection Act</i>	Status Report 2008	√
Managing selected aspects of pesticides	Status Report 2008	√
Managing selected aspects of federal contaminated sites	Status Report 2008	√
Federal protected areas for wildlife	Status Report 2008	√
Protection of species at risk	Status Report 2008	√
Aquatic invasive species	Status Report 2008	√
Areas of concern in the Great Lakes	Status Report 2008	√
International environmental agreements	Status Report 2008	√
Strategic environmental assessments	Status Report 2008	√

List of completed performance audits (continued)

Performance audit	Included in 2007–08 Plan	Reported in 2007–08
Greening of government operations	Status Report 2008	√
Environmental petitions	Status Report 2008	√
Northwest Territories Housing Corporation	May 2007	February 2008
The Financial Assistance for Nunavut Students program	June 2007	√
2007 Canada Winter Games (Yukon)	November 2007	February 2008

√= tabled as planned

List of completed special examinations

Special examination	Completed on time	Less than 3 months late	3 months late or more
Atlantic Pilotage Authority	√		
Blue Water Bridge Authority			√
Cape Breton Development Corporation	√		
National Capital Commission	√		
Atomic Energy of Canada Limited	√		
Farm Credit Canada	√		
Great Lakes Pilotage Authority		√	
The International Development Research Centre	√		
Defence Construction (1951) Limited		See note ¹	
VIA Rail Canada Inc.		See note ¹	
Parc Downsview Park Inc.	See note ¹		

√= reported as planned

¹ These examinations were planned to be reported in 2007–08 though they were not due until 2008–09. Accordingly, they are not included in our on-time statistics for 2007–08.

Other audits tabled, but not listed as planned in the 2007–08 Report on Plans and Priorities

Title	Date reported
Use of Public Funds by the Former Lieutenant-Governor of Quebec	June 2007
Audit of the Nunavut Business Credit Corporation Activities	November 2007
Government of Yukon's Investment in Asset-backed Commercial Paper—Department of Finance	February 2008

Methodological endnotes

1. The Office conducts post-audit surveys for major products, including financial audits, performance audits, and special examinations. Surveys for financial audits have been conducted biennially since 2002–03, surveys for performance audits have been conducted after each tabling since 2003–04, and a survey for each special examination has been conducted since October 2002. As a result of the review of the survey process, no data was collected for financial audits for 2006–07. The table below summarizes the data quality parameters for the data reported in the current performance report. The confidence intervals (CI) are calculated for a 90 percent confidence level, and assume a result of 50 percent.

Audit type	Population type	Period	Population size	Responses	Response rate	CI at 90%
Financial	Audit committee chairs	2002–03	52	30	58%	9.8%
Financial	Chief financial officers and presidents	2002–03	83	63	76%	5.1%
Financial	Audit committee chairs	2004–05	48	29	60%	9.6%
Financial	Chief financial officers and presidents	2004–05	80	59	74%	5.5%
Performance	Deputy ministers and commissioners	2003–04	103	80	78%	4.3%
Performance	Deputy ministers and commissioners	2004–05	76	54	71%	6.0%
Performance	Deputy ministers and commissioners	2005–06	57	49	86%	4.4%
Performance	Deputy ministers and commissioners	2006–07	90	75	83%	3.9%
Performance	Deputy ministers and commissioners	2007–08	69	52	75%	5.7%
Special Examination	Chief executive officers	2002–03	6	3	50%	26.9%
	Chief executive officers	2003–04	6	2	33%	38.0%
	Chief executive officers	2004–05	8	8	100%	N/A
	Chief executive officers	2005–06	9	6	67%	15.5%
	Chief executive officers	2006–07	6	2	33%	38.0%
	Chief executive officers	2007–08	7	6	86%	12.7%

Methodological endnotes (continued)

Audit type	Population type	Period	Population size	Responses	Response rate	CI at 90%
Special Examination	Board chairs	2002–03	6	3	50%	26.9%
	Board chairs	2003–04	6	2	33%	38.0%
	Board chairs	2004–05	9	8	89%	7.8%
	Board chairs	2005–06	9	8	89%	7.8%
	Board chairs	2006–07	6	4	67%	19.0%
	Board chairs	2007–08	7	4	57%	26.9%

2. In the spring of 2008, we surveyed parliamentarians who were members of four key parliamentary committees at the time our reports were reviewed at those committees. The four committees were the Standing Committee on Public Accounts, the Standing Committee on Environment and Sustainable Development, the Senate Standing Committee on National Finance, and the Senate Standing Committee on Energy, the Environment and Natural Resources.

The survey was conducted in written form, with responses collected and analyzed by an independent consultant to ensure the anonymity of the respondents. In 2008, 46 questionnaires were sent out. A total of 24 responses were received, for a response rate of 52 percent. This provides a margin of error of +/- 14.1 percentage points, 19 times out of 20. In 2007, 47 questionnaires were sent out. A total of 24 responses were received, for a response rate of 51 percent. This provides a margin of error of +/-14.3 percentage points, 19 times out of 20.

3. When we count the number of hearings and briefings in which we participate, we consider our appearances before all committees of the House of Commons and the Senate. The other indicator (performance audits reviewed by parliamentary committees) is a ratio of 2007–08 audits that resulted in a hearing to the total number of audits published in the same fiscal year.

To calculate the percentage, we consider all parliamentary hearings held on one audit as one hearing. A hearing can occur in a subsequent fiscal year, but it would contribute to the Office's performance for the year that the report was published. This is the case for 2006–07, raising the percentage of audits reviewed from 63 percent, as previously reported, to 66 percent. For 2005–06, the percentage increases from 48 to 52.

4. When we report on the implementation of our performance audit recommendations, we use a four-year interval between the year the report is tabled and the year we ask departments to make their assessment. This is because our data shows that departments and agencies often need this time to complete action on our recommendations.

To determine the status of outstanding recommendations, the Office asks departments and agencies to provide us with a description of the actions undertaken toward the implementation of each recommendation. This year we also asked organizations to assess each recommendation's degree of implementation as at 31 March using one of five categories: no progress had been achieved, the recommendation was in the planning stage, preparations were under way for implementation, there had been substantial implementation, or there had been full implementation. In the past, our audit principals assessed the level of implementation based on information provided by departments.

The Treasury Board Directive on Departmental Audit Committees states, in section 4.2.6.2, that the chief audit executive shall report periodically to the audit committee on whether management's action plans to address audit recommendations have been implemented and whether the actions taken have been effective.

We believe this new approach is better aligned with departmental responsibilities to monitor and report on their responses to our recommendations. As a result of this change, the numbers presented represent a new baseline for this indicator.

5. An independent consulting firm conducted a survey of Office employees. A total of 597 employees were invited to participate, and 555 employees completed the survey. The overall response rate was 93 percent. The overall margin of error for the survey was 1 percent, 18 times out of 20.

6. These percentages do not include employees who have been excluded from the language requirement because they will retire within three years or have disabilities that do not enable them to learn an additional language. For principals and assistant auditors general, 4 of 70 were excluded; for directors, 2 of 109 were excluded.

Website references

Many items that may be of interest and complement the reporting of 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	http://www.oag-bvg.gc.ca/internet/English/au_fs_e_373.html
Commissioner of the Environment and Sustainable Development	http://www.oag-bvg.gc.ca/internet/English/au_fs_e_30741.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	http://www.oag-bvg.gc.ca/internet/English/parl_lp_e_856.html
Observations of the Auditor General on the Financial Statements of the Government of Canada	http://www.oag-bvg.gc.ca/internet/English/parl_lp_e_15712.html
Publications	http://www.oag-bvg.gc.ca/internet/English/meth_lp_e_859.html
Practice review reports	http://www.oag-bvg.gc.ca/internet/English/acc_lp_e_9380.html
Internal audit reports	http://www.oag-bvg.gc.ca/internet/English/acc_lp_e_9384.html
External review reports	http://www.oag-bvg.gc.ca/internet/English/acc_lp_e_9381.html
Sustainable Development Strategy, 2007–2009	http://www.oag-bvg.gc.ca/internet/English/acc_rpt_e_17602.html
Parliament	
Parliament	www.parl.gc.ca
Standing Committee on Public Accounts	http://cmte.parl.gc.ca/cmte/CommitteeHome.aspx?Lang=1&PARLSES=391&JNT=0&SELID=e17_&COM=10466
Standing Committee on Environment and Sustainable Development	http://cmte.parl.gc.ca/cmte/committeehome.aspx?selectedelementid=e17_&lang=e&ommitteeid=13183&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

Website references (continued)

Government of Canada	
Treasury Board of Canada Secretariat	www.tbs-sct.gc.ca
Results for Canadians: A Management Framework for the Government of Canada	www.tbs-sct.gc.ca/report/res_can/rc-eng.asp
TBS Management Accountability Framework	www.tbs-sct.gc.ca/maf-crg/index_e.asp
Financial Information Strategy	http://www.tbs-sct.gc.ca/fm-gf/tools-outils/guides/lessons-lecons-eng.asp
Bank of Canada	www.bank-banque-canada.ca
Territorial Governments	
Government of the Northwest Territories	www.gov.nt.ca
Government of Nunavut	www.gov.nu.ca
Government of Yukon	www.gov.yk.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
Financial Management Institute of Canada	www.fmi.ca
The 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 Board of Auditors	www.unsystem.org/auditors/external.htm
Working Group on Environmental Auditing (INTOSAI)	www.environmental-auditing.org