



Office of the Auditor General of Canada

2015-16

Report on Plans and Priorities

Approved

Michael Ferguson, CPA, CA
FCA (New Brunswick)
Auditor General of Canada

The Honourable Joe Oliver, P.C., M.P.
Minister of Finance

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Cat. No. FA1-19/2015E-PDF
ISSN 2292-5457

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A Message from the Auditor General of Canada

I am pleased to present the Office of the Auditor General of Canada's Report on Plans and Priorities for the 2015–16 fiscal year.

The Office is the legislative auditor of the federal government and the three territories. Our independent audits and studies provide objective information, advice, and assurance to Parliament, territorial legislatures, and governments. Our reports and testimony at parliamentary and territorial hearings support the oversight of government spending and operations by these bodies. We expect to complete more than 95 financial audits, 21 performance audits, and 5 special examinations in the 2015–16 fiscal year, and to report our audit of senators' expenses.

We are always looking to improve our products and operations. In the 2015–16 fiscal year, we will continue activities to maximize the value of our audits and will seek further efficiencies in our audit processes. We will focus most of our improvement efforts on the following three priorities.

First, we will implement new senior management roles and responsibilities for our audits. This implementation will lead to more streamlined decision making and ensure that decision making can occur at the most appropriate level in the organization. We will also be completing a review of the Office's governance framework to implement one that is better suited to support the new roles and responsibilities, and our operational needs.

Second, in support of the new roles and responsibilities, we will be updating our professional development and official languages plans. Updating our professional development plan will ensure that we provide our staff with the training and development opportunities they need to meet their new responsibilities. Updating our official languages plan will ensure that we support our staff in their efforts to meet the language requirements of their positions.

Finally, to ensure that decision making is occurring at the most appropriate level in the organization, our employees must be empowered to make decisions about their work. We have surveyed our employees to assess their level of empowerment, and we will be developing actions to respond to their feedback.

As we undertake these changes, I would like to take this opportunity to thank all members of the Office's staff for their professionalism and commitment to the Office and to Parliament.

Michael Ferguson, CPA, CA,
FCA (New Brunswick)
Auditor General of Canada
15 January 2015

Section I—Office Overview

Organizational profile

Auditor General: Michael Ferguson, CPA, CA, FCA (New Brunswick)

Year established: 1878

Main legislative authorities:

Auditor General Act, R.S.C. 1985, c. A-17

Financial Administration Act, R.S.C. 1985, c. F-11

Minister: The Honourable Joe Oliver, P.C., M.P., Minister of Finance*

*Although the Auditor General acts independently in the execution of his audit responsibilities, for administration purposes, the Auditor General reports on expenditures through the Minister of Finance.

Organizational context

Raison d'être

The Office of the Auditor General of Canada is the legislative audit office of the federal government. We are also the legislative auditor of the three territories (Nunavut, Yukon, and the Northwest Territories). We conduct independent audits and studies that provide objective information, advice, and assurance to Parliament, territorial legislatures, governments, and Canadians. All of our audits are conducted in accordance with professional auditing standards and Office policies. With our reports and testimony at parliamentary hearings, we assist Parliament in its work on the authorization and oversight of government spending and operations. Our strategic outcome is to contribute to better-managed government programs and better accountability to Parliament through legislative auditing.

Responsibilities

The Auditor General is an Officer of Parliament who is independent from the government in the execution of his work and responsibilities and reports directly to Parliament. His duties are set out in the *Auditor General Act*, the *Financial Administration Act* (FAA), and other acts and orders-in-council. These duties relate to legislative auditing and, in certain cases, to monitoring of federal departments and agencies, Crown corporations, territorial governments, and other entities. The Commissioner of the Environment and Sustainable Development carries out the portion of the Auditor General's mandate related to the environment and sustainable development.

The Office of the Auditor General’s main legislative auditing duties are

- financial audits,
- performance audits,
- special examinations, and
- sustainable development monitoring activities.

Financial audits

A financial audit provides assurance that financial statements are presented fairly, in accordance with the applicable financial reporting framework. Where required, we provide assurance that the organizations we audit comply, in all significant respects, with the legislative authorities that are relevant to a financial audit. We conduct financial audits of federal Crown corporations, territorial corporations, and other organizations. We also audit the summary financial statements of the Government of Canada and of the three territories (Nunavut, Yukon, and the Northwest 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. We also provide information and advice to support audit committees in meeting their responsibilities for the oversight of financial reporting and internal control.

Performance audits

A performance audit is an independent, objective, systematic assessment of how well the government is managing its activities, responsibilities, and resources. Performance audits contribute to an effective public service and to a government that is accountable to Parliament and Canadians. The *Auditor General Act* gives the Office the discretion to determine what areas of government it will examine in its performance audits. We audit a vast range of activities conducted by the federal government and the three territories. We also consider requests for audits from parliamentary committees. The Auditor General is responsible for deciding what to audit.

Our reports contain recommendations for addressing any serious deficiencies identified. The Office may comment, in a performance audit, on how a department is implementing a policy, but it does not comment on the merits of the policy itself.

Special examinations

A special examination assesses the systems and practices maintained by Crown corporations to safeguard their assets; to manage their human, physical, and financial resources economically and efficiently; and to carry out their operations effectively. A special examination provides an opinion to a Crown corporation’s board of directors on whether there is reasonable assurance that there are no significant deficiencies in the systems and practices examined. In addition to reporting on significant deficiencies, our special examinations highlight the systems and practices that contribute to a Crown corporation’s success and provide information and recommendations to boards of directors about opportunities for improvement.

All parent Crown corporations are subject to a special examination by the Office, except the Bank of Canada, which is exempt from this requirement, and the Canada Pension Plan Investment Board, which, under its Act, is subject to a special examination by an auditor chosen by its board of directors. Under the FAA, special examinations are required at least once every 10 years.

Sustainable development monitoring activities and environmental petitions

The Commissioner of the Environment and Sustainable Development assists the Auditor General in performing his duties related to the environment and sustainable development. The Commissioner conducts performance audits to monitor the government's management of environmental and sustainable development issues and, on behalf of the Auditor General, reports to Parliament on issues that should be brought to its attention. The Commissioner also administers the environmental petitions process.

Public Servants Disclosure Protection Act investigations

Under the *Public Servants Disclosure Protection Act*, the Auditor General has the mandate to investigate disclosures by public servants of alleged wrongdoing within the Office of the Public Sector Integrity Commissioner. If we determine that allegations of wrongdoing are well-founded, we must submit a case report to Parliament.

Professional practices

In order to ensure the reliability and consistency of our audit work, the Office makes an ongoing investment in methodology and training. This investment supports

- the development and maintenance of up-to-date audit methodology;
- advice to auditors on the interpretation and application of professional standards and our audit methodology;
- quality assurance activities related to our ongoing audit engagements;
- monitoring of the Office's System of Quality Control; and
- the development, maintenance, and deployment of curricula and learning tools related to accounting, auditing, and other skills for all Office employees.

The Office works with other legislative audit offices and professional associations, such as the Chartered Professional Accountants of Canada, to advance legislative audit methodology, accounting and auditing standards, and best practices.

In addition, the Office's Professional Practices Group acts as a National Professional Practices Group, serving members of the Canadian Council of Legislative Auditors by offering methodology, training, and advice upon request.

International activities

Our 2012–2017 International Strategy guides our international activities and positions the Office to meet future opportunities and challenges. Our international activities focus on

- projects funded by Foreign Affairs, Trade and Development Canada;
- International Organization of Supreme Audit Institutions (INTOSAI) working groups;

- INTOSAI Development Initiative projects; and
- other stated federal government priorities (for example, audits of United Nations entities).

The strategy has the following four goals:

- contributing to the development and adoption of appropriate and effective professional standards,
- sharing knowledge among audit offices,
- building capabilities and professional capacities of audit offices, and
- promoting better-managed and accountable international institutions.

Strategic plan and organizational priorities

The Office completed the renewal of its strategic plan in 2014 and identified a number of client, operational, and people management objectives to help direct its work (Exhibit 1). It uses this plan, together with an annual risk assessment, to establish priorities.

Exhibit 1—Strategic Plan of the Office of the Auditor General of Canada			
Vision	Strategic Objectives		
<p>An independent legislative audit office serving Parliament and territorial legislatures, widely respected for the quality and impact of our work</p> <p>Mission</p> <p>Contribute to well-managed and accountable government for Canadians by providing information, advice, and assurance reports; working with legislative auditors, and federal and territorial governments; and being a leader in the legislative auditing profession</p> <p>Values</p> <p>The following values define how we conduct our work and ourselves:</p> <ul style="list-style-type: none"> • Serving the public interest • Respectful relationships • Independence and objectivity • Trust and integrity • Commitment to excellence • Leading by example 	<p>Customer Perspective</p> <p>Be independent, objective, and non-partisan</p> <p>Report what is working, areas for improvement, and recommendations in a manner that is understandable, timely, fair and adds value</p> <p>Contribute to the development and adoption of professional standards and best practices</p> <p>Build and maintain relationships with parliamentarians and key stakeholders</p> <p>Financial Perspective</p> <p>Be a financially well-managed organization accountable for the use of resources entrusted to it</p>	<p>Internal Perspective</p> <p>Ensure selection and continuance of audit products likely to have significant impact and value</p> <p>Ensure audit products comply with professional standards and Office policies in an economical manner</p> <p>Ensure effective and efficient support services</p> <p>Ensure effective, efficient, and accountable Office governance and management</p>	<p>Learning and Growth Perspective</p> <p>Ensure a culture of empowerment</p> <p>Support continuous improvement</p> <p>Develop and maintain a skilled, engaged, and bilingual workforce</p>

The Office identified the following three strategic objectives as priority areas for improvement for the 2015–16 fiscal year:

- ensuring effective, efficient, and accountable Office governance and management;
- developing and maintaining a skilled, engaged, and bilingual workforce; and
- ensuring a culture of empowerment.

In 2014, as part of improving Office governance and empowering our staff, the Office reviewed its executive committee structure and senior management roles for audit operations. We put in place a plan to move to a smaller executive committee, and have defined new senior management roles and responsibilities. We will be transitioning to these new roles and responsibilities during the coming year. As part of this process, we are assessing the degree to which employees feel empowered to do their work, and will develop plans as required to address any issues that arise from this research. We will also redefine our desired outcomes and measures with regard to maintaining a skilled, engaged, and bilingual workforce; we will refine our plans, where necessary, to achieve these objectives.

Over the coming year, the Office will continue activities stemming from last year’s priorities to maximize the value of its audits for clients. We will develop an annual summary report on our financial audit practice. We will also define value measures and develop an innovation plan to enhance the usefulness of our performance and attest audits. The following tables summarize our priorities for the 2015–16 fiscal year (Exhibits 2, 3, 4).

Exhibit 2—Priorities for the 2015–16 fiscal year—Office governance and management	
Strategic objective: Ensuring effective, efficient, and accountable Office governance and management	
Description	In 2014, the Office reviewed its executive committee structure and the roles and responsibilities of our senior managers in audit operations. We have put in place a plan to move to a smaller executive committee and have defined new senior management roles and responsibilities. Over the coming year, we will be implementing these new roles and responsibilities. We will also implement a governance framework that can best support the Office in meeting its operational needs.
Initiatives	<ul style="list-style-type: none"> • Implement new senior management roles and responsibilities. • Complete governance review and implement revised governance framework. • Reduce the size of the Office’s Executive Committee.

Exhibit 3—Priorities for the 2015–16 fiscal year—workforce	
Strategic objective: Developing and maintaining a skilled, engaged, and bilingual workforce	
Description	We will update our professional development plan to ensure that we are providing our staff with the training and development opportunities that they need to meet their new responsibilities. We will update our official languages plan to ensure that our staff are supported in meeting the language requirements of their positions.
Initiatives	<ul style="list-style-type: none"> • Update our professional development plan. • Update our official languages plan.

Exhibit 4—Priorities for the 2015–16 fiscal year—empowerment	
Strategic objective: Ensuring a culture of empowerment	
Description	One of the desired results of the new senior management roles and responsibilities is that decision making will occur at the most appropriate level in the organization. To achieve this, our employees must be empowered to make decisions about their work. We will analyze the results of a recent empowerment survey and develop actions to respond to any issues that are identified.
Initiatives	<ul style="list-style-type: none"> Assess the level of empowerment. Address any gaps identified.

Risk analysis

The Office faces no significant external risks at the moment. Recent significant changes to professional standards and accounting frameworks have been integrated into our methodology and adopted by the organizations we audit. We foresee no further major changes during the planning period covered by this report.

Planned expenditures

The following table provides the Office’s planned financial resources for the next three years (Exhibit 5).

Exhibit 5—Financial resources (Planned spending—\$ dollars)			
Total budgetary expenditures (Main Estimates) 2015–16¹	Planned spending 2015–16¹	Planned spending 2016–17	Planned spending 2017–18
78,295,000	94,400,000	94,700,000	94,600,000

¹ The difference between total budgetary expenditures and planned spending for the 2015–16 fiscal year includes the cost of services received without charge from other government departments (\$12.9 million), and other adjustments that are routine in nature (\$3.2 million), including the carry-forward funding, parental leave and severance payments, and other differences due to accrual accounting (salary accruals and capital asset acquisition, less depreciation).

The following table provides the Office’s planned human resources for the next three years (Exhibit 6).

Exhibit 6—Human resources (full-time equivalents—FTE)		
2015–16	2016–17¹	2017–18
557	552	552

¹ The re-spending authority for the International Labour Organization audits expires after the completion of the 31 December 2015 audit. This will result in a reduction in the number of FTEs beginning in the 2016–17 fiscal year.

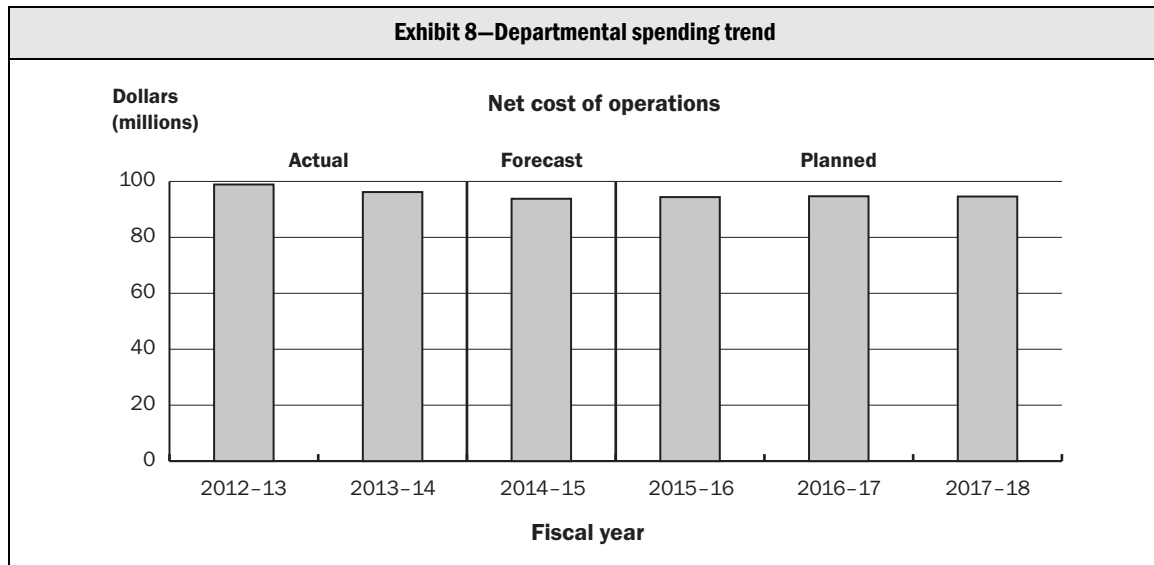
The following table provides the Office’s budgetary spending summary and planned spending for the fiscal years 2012–13 to 2017–18 (Exhibit 7). Exhibit 8 shows the departmental spending trend for the same period.

Exhibit 7—Budgetary spending summary (\$ dollars)						
Legislative auditing activity¹	Actual spending 2012-13	Actual spending 2013-14	Forecast spending 2014-15	Planned spending		
				2015-16	2016-17	2017-18
Financial audits of Crown corporations, territorial governments, and other organizations, and of the summary financial statements of the Government of Canada	45,200,000	41,700,000	38,200,000	41,400,000	40,000,000	40,400,000
Performance audits and studies ²	39,800,000	41,200,000	43,900,000	38,200,000	37,100,000	37,600,000
Special examinations of Crown corporations	2,800,000	3,300,000	3,400,000	5,200,000	7,600,000	6,400,000
Sustainable development monitoring activities and environmental petitions	1,800,000	1,600,000	1,800,000	1,500,000	1,500,000	1,500,000
Professional practices	10,100,000	9,500,000	7,700,000	8,900,000	8,700,000	8,800,000
Total cost of operations	99,700,000	97,300,000	95,000,000	95,200,000	94,900,000	94,700,000
Less: costs recovered ³	800,000	1,100,000	1,200,000	800,000	200,000	100,000
Net cost of operations	98,900,000	96,200,000	93,800,000	94,400,000	94,700,000	94,600,000

¹ We have allocated the cost of audit services to each legislative auditing activity.

² This amount includes environmental and territorial government audits and studies, as well as assessment of agency performance reports, which ended during the 2012–13 fiscal year.

³ The costs recovered include responsible revenue from the National Professional Practices Group and from the audits of the International Labour Organization, which we audit on a cost recovery basis.



The spending trend from the 2012–13 fiscal year to the 2014–15 fiscal year reflects the implementation of our action plan to reduce operating costs, based on the Strategic and Operating Review (SOR) proposal that we submitted to Parliament in October 2011.

Estimates by vote

For information on the Office of the Auditor General’s organizational appropriations, please see the 2015–16 Main Estimates publication (<http://www.tbs-sct.gc.ca/ems-sgd/esp-pbc/esp-pbc-eng.asp>).

Section II—Planning Highlights by Product Line

Strategic outcome and expected results

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 legislative auditing.

We have identified a number of results that we expect to achieve with our audits in the short, medium, and long terms.

In the short term, we want to

- engage Parliament, territorial legislatures, and federal and territorial organizations in the audit process;
- ensure that they are well informed about our work; and
- maintain support for our role and work.

In the medium term, we want to

- assist Parliament and territorial legislatures in holding governments to account;
- ensure that our work is relevant to federal and territorial organizations, departments, agencies, and Crown corporations; and
- ensure that the public is well informed about our work.

In the long term, we want our work to lead to more effective, efficient, and economical government programs and operations and to programs that foster sustainable development.

Legislative auditing activities

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

Financial audits answer the following questions:

- Are the annual financial statements of Crown corporations, territorial governments, and other organizations presented fairly?
- Are federal and territorial governments presenting their overall financial situation fairly?
- Are these entities complying with their legislative authorities?

Planning highlights. The Office has statutory responsibilities for the audit of the summary financial statements of the Government of Canada and each of the three territorial governments, the financial statements of federal Crown corporations and territorial corporations, and other entities. The audit of the International Labour Organization (a United Nations agency) is included, among other organizations.

In the 2015–16 fiscal year, we will conduct more than 95 financial audits and related assurance engagements, down from more than 115 before the reductions that resulted from our Strategic and Operating Review.

Performance audits of federal and territorial organizations

Performance audits answer questions such as the following:

- Are programs being run with due regard for economy, efficiency, and environmental impact?
- Does the government have the means to measure the effectiveness of its programs?

Planning highlights. In the 2015–16 fiscal year, we plan to report the findings of 21 federal and territorial performance audits. Our audit schedule for the coming year is in Section III—Supplementary Information. The number of completed performance audits is down from 27 in the 2014–15 fiscal year.

Special examinations

A special examination of a Crown corporation answers the following question: Do the systems and practices of the Crown corporation that we examined provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently, and that operations are carried out effectively?

Planning highlights. During a 10-year period, the Office performs special examinations of more than 40 federal Crown corporations. In the 2015–16 fiscal year, we plan to complete examinations of PPP Canada Inc., the Pacific Pilotage Authority, Atomic Energy Canada Limited, Via Rail Canada Inc., and the Canadian Air Transport Security Authority.

The following table includes the expected results, strategic objectives, indicators, and targets for our legislative auditing activities (Exhibit 9).

Exhibit 9—Legislative auditing activities: strategic objectives, indicators, and targets	
Expected results	
<ul style="list-style-type: none"> • Parliament and territorial legislatures are well informed. • Parliament, territorial legislatures, and federal and territorial organizations are engaged in the audit process. • Parliament and territorial legislatures hold government to account. • Our work is relevant to federal and territorial organizations, departments, agencies, and Crown corporations. • The media and public are well informed. • Support for our role and work is maintained. 	
Strategic objectives	Indicators and targets
Be independent, objective, and non-partisan.	<p>Percentage compliance with professional standards and Office policies for independence: 100%</p> <p>Number of founded complaints and allegations regarding failure to comply with professional standards, legal and regulatory requirements, or the Office's system of quality control: None</p>
Report what is working, areas for improvement, and recommendations in a manner that is understandable, timely, fair, and adds value.	<p>Percentage of users who find that our audits are understandable, fair, and add value: 90%.</p> <p>Percentage of senior managers who find that our audits are understandable, fair, and add value: 80%.</p> <p>Percentage of performance audits that are reviewed by parliamentary committees: 65%.</p> <p>Percentage of audits that meet statutory deadlines, where applicable, or our planned reporting dates:</p> <ul style="list-style-type: none"> • 100% for financial audits of federal Crown corporations and other federal organizations with a statutory deadline • 80% for financial audits of federal organizations with no statutory deadline and territorial organizations, and for performance audits and special examinations
Contribute to the development and adoption of professional standards and best practices.	<p>Achievement of Professional Standards Plan objectives.</p> <p>For financial audits, percentage of qualifications and "other matters" that are addressed from one report to the next: 100%</p> <p>For performance audits, percentage of issues examined in our follow-up audits for which progress is assessed as satisfactory: 75%</p> <p>For special examinations, percentage of significant deficiencies that are addressed from one examination to the next: 100%</p>
Build and maintain relationships with parliamentarians and key stakeholders.	Develop a relationship management plan and related objectives by 1 January 2016.

Internal perspective

Eight of the objectives in our strategic framework focus on our internal processes and long-term learning and growth as an organization. The following table summarizes the indicators established to monitor the achievement of these objectives (Exhibit 10).

Exhibit 10—Internal perspective: strategic objectives, indicators, and targets	
Strategic objectives	Indicators and targets
Be a financially well-managed organization accountable for the use of resources entrusted to it.	Percentage compliance with financial management and reporting requirements: 100%
Ensure selection and continuance of audit products likely to have significant impact and value.	Complete initiatives to improve performance audit planning, value assessment, and value measures in 2015. Complete a report informing Parliament of the ongoing impact and value of our financial audit work: Spring 2016.
Ensure audit products comply with professional standards and Office policies in an economical manner.	Percentage of internal practice reviews that find the opinions and conclusions expressed in our audit reports to be appropriate and supported by the evidence: 100% Percentage of internal and external reviews that find our practitioners complied with professional standards: 100% Percentage of internal and external reviews that find our System of Quality Control is suitably designed and operating effectively: 100% Percentage of audits that are completed on budget: 80%
Ensure effective and efficient support services.	Percentage of internal service standards met: 100%
Ensure effective, efficient, and accountable Office governance and management.	Fully implement new senior audit roles and responsibilities by 1 January 2016. Implement revised governance framework by 1 January 2016.
Ensure a culture of empowerment.	Develop an action plan to respond to empowerment survey results in 2015.
Support continuous improvement.	Develop indicators in 2015.
Develop and maintain a skilled, engaged, and bilingual workforce.	Develop or renew indicators of a skilled, engaged, and bilingual workforce in 2015.

Section III—Supplementary Information

Supplementary table and information

The following supplementary table and information can be found on the Office of the Auditor General website at http://www.oag-bvg.gc.ca/internet/English/acc_lp_e_9377.html:

- Green procurement

Planned reports for 2015–16

Reports to Parliament

Spring 2015: Report of the Auditor General of Canada

- The Audit of Senators' Expenses

Spring 2015: Report of the Auditor General of Canada

- Antimicrobial Resistance
- Required Reporting by Federal Organizations
- Tax-Based Expenditures
- Access to Health Services for Remote First Nations Communities
- Services to First Nations
- Information Technology Investments—Canada Border Services Agency
- Preparing Offenders for Release—Correctional Service Canada
- Office of the Ombudsman for the Department of National Defence and the Canadian Forces
- Special Examinations of Crown Corporations—2014

Fall 2015: Report of the Auditor General of Canada

- Implementing Gender-Based Analysis
- Controlling Exports
- Labrador Inuit Land Claims Agreement
- Meeting the Information Technology Needs of Federal Organizations
- Assets in Critical Condition
- Canada Pension Plan Disability Benefits—Employment and Social Development Canada

Fall 2015: Report of the Commissioner of the Environment and Sustainable Development

- Departmental Progress in Implementing Sustainable Development Strategies
- Pipeline Oversight
- Safety and Accessibility of Pesticides
- Environmental Petitions Annual Report

Reports to Northern Legislatures

Winter 2015: Reports of the Auditor General of Canada

- Correctional Services—Yukon
- Correctional Services—Northwest Territories
- Correctional Services—Nunavut