



1981
First Annual Report
Canadian Comprehensive Auditing Foundation



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PHOTOGRAPH AT TOP RIGHT

FOUNDING MEETING OF CCAF BOARD OF GOVERNORS — FEBRUARY 12-13, 1980

Front Row (left to right)

W.A. Bradshaw, R.M. Rennie, J.J. Macdonell, H. Marcel Caron, Warren Chippindale,
G.H. Cowperthwaite, Harry G. Rogers, K.G. Belbeck, D.R. Yeomans, J.M. Smith.

Second Row (left to right)

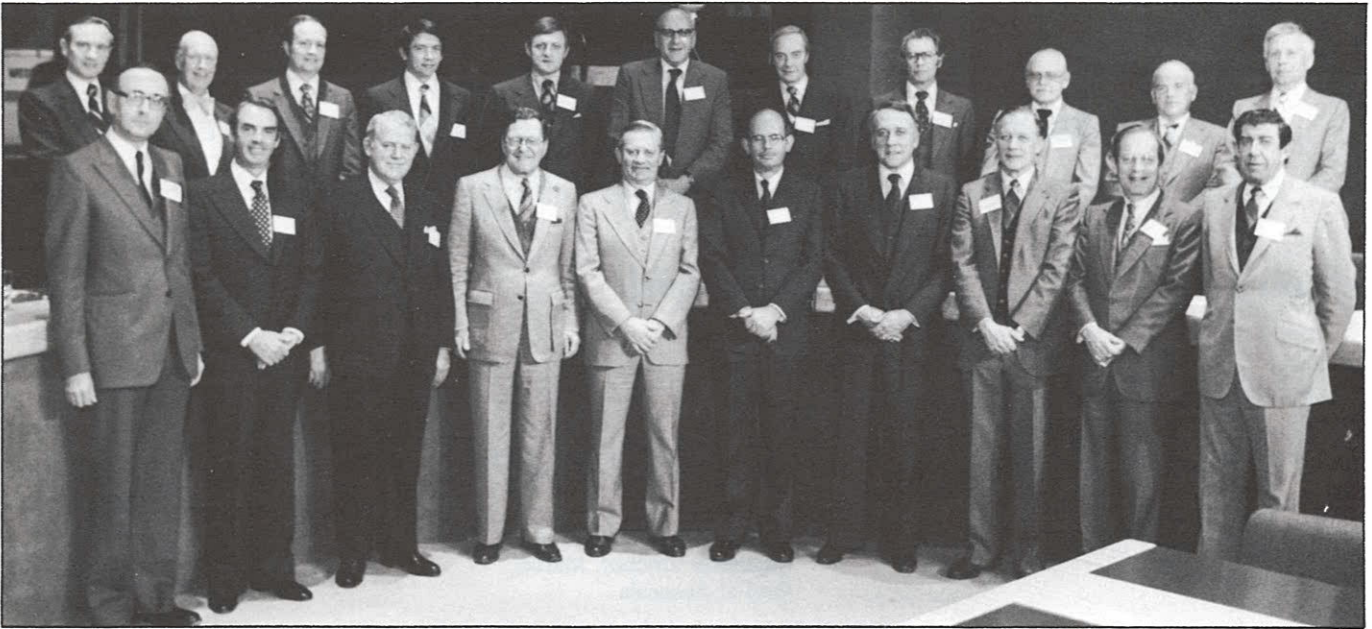
W.R. Sloan, J.D. Bradt, D.L. Meyers, Dr. L.S. Rosen, M.H. Rayner, T. Kaptein, Gordon Dunnet,
Yvan Gaudette, Richard Mineau, Gérard Larose, F.N. Scott

Absent

Dr. John J. Carson, K.S. Gunning, Dr. Pierre Laurin, Erma Morrison, Dr. Laurent Picard,
D.W. Rogers.

Photo by M. Bedford

MEMBERS OF THE FOUNDING BOARD OF GOVERNORS 1980-1981



* **KENNETH G. BELBECK**
President, Thorne,
Stevenson & Kellogg

WILLIAM A. BRADSHAW
Partner, Touche Ross
& Co.

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General Auditor,
Imperial Oil Limited

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Executive Partner,
Clarkson Gordon

DR. JOHN J. CARSON
Dean, Faculty of Administration,
University of Ottawa

WARREN CHIPPINDALE
Chairman and Managing Partner,
Coopers & Lybrand

GORDON H. COWPERTHWAIT
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Mitchell & Co. and Peat,
Marwick and Partners

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Partner, Borden & Elliott

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Assistant Auditor General
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Executive Partner,
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T. KAPTEIN
Auditor General
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GÉRARD LAROSE
Former Auditor General
of Quebec

DR. PIERRE LAURIN
Director, École des Hautes
Études Commerciales

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Chairman, CCAF

D. LARRY MEYERS
Deputy Auditor General
of Canada

RICHARD MINEAU
Vice-Chairman, Management
Consulting Services,
Price Waterhouse International

ERMA P. MORRISON
Auditor General of
British Columbia

DR. LAURENT PICARD
Dean, Faculty of Management,
McGill University

MICHAEL H. RAYNER
Deputy Auditor General
of Canada

* **ROBERT M. RENNIE**
Chairman of the Board,
Touche Ross & Co.

DOUGLAS W. ROGERS
Auditor General of Alberta

HARRY G. ROGERS
Comptroller General of Canada

DR. L.S. ROSEN
Professor, York University

* **F. NORMAN SCOTT**
Provincial Auditor of Ontario

WILLIAM R. SLOAN
Partner, Arthur
Andersen & Co.

JACK M. SMITH
Former Chairman,
Woods Gordon

DONALD R. YEOMANS
Commissioner of Corrections,
The Correctional Service
of Canada

*Member of the Executive Committee

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Vice-Chairman:	Kenneth G. Belbeck
Vice-Chairman:	Robert M. Rennie
Treasurer:	F. Norman Scott
Secretary:	Yvan Gaudette
Executive Director:	Jean-Pierre Boisclair

CANADIAN COMPREHENSIVE AUDITING FOUNDATION COMMITTEES 1980-1981

PROFESSIONAL PRACTICES AND DEVELOPMENT COMMITTEE

CHAIRMEN

W. ROSS WALKER,
Managing Partner -
Toronto, Peat, Marwick
Mitchell & Co.

MEMBERS

ALAN J. DILWORTH,
Partner, Touche Ross & Co.

P. HOWARD LYONS, Partner,
Deloitte, Haskins & Sells

GUY MARTIN, Partner,
Raymond, Chabot, Martin,
Paré et Associés

MICHAEL H. RAYNER,
Deputy Auditor General
of Canada

LAWRENCE S. ROSEN,
Professor, York University

WILLIAM R. SLOAN, Partner,
Arthur Andersen & Co.

METHODOLOGY COMMITTEE

EDWARD W. NETTEN,
Managing Partner -
Price Waterhouse
Associates

RODNEY J. ANDERSON
Coordinating Partner - Toronto
Clarkson Gordon

KENNETH F.Y. BAYNTON,
Managing Partner -
Edmonton, Thorne Riddell

DONALD A. BROWN, Partner,
Coopers & Lybrand

ALWYN D. LLOYD,
Partner, MacGillivray
& Co.

D. LARRY MEYERS,
Deputy Auditor General
of Canada

RONALD B. ROBINSON, Partner,
Thorne, Stevenson & Kellogg

INTERNATIONAL COMMITTEE

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Former Canadian Ambassador
to the United Nations

DR. JOHN J. CARSON, Dean,
Faculty of Administration,
University of Ottawa

GORDON H. COWPERTHWAITTE,
Chairman, Peat, Marwick,
Mitchell & Co. and Peat,
Marwick and Partners

YVAN GAUDETTE, Assistant
Auditor General of Canada

LEWIS PERINBAM, Vice-
President, Canadian
International Development
Agency

EDWARD R. ROWE, Deputy
Auditor General of
Canada

G. PETER WILSON, Deputy
Auditor General of
Canada

RESEARCH PROJECT ADVISORY COMMITTEE

CHAIRMEN

ALAN G. MARTIN,
Former Vice-Chairman
Standing Committee
on Public Accounts,
Parliament of Canada

MEMBERS

PAUL CORMIER,
Deputy Auditor General
of Nova Scotia

C.E.S. FRANKS, Professor,
Department of Political
Studies, Queen's
University

ALISTAIR FRASER, Former
Clerk of the House of
Commons

ERNEST HALL, M.L.A., Chairman
Public Accounts Committee
of British Columbia

D.L. MEYERS,
Deputy Auditor General
of Canada

ANGUS REE, M.L.A., Member,
(Secretary) Public Accounts
Committee of British
Columbia

PATRICK REID, M.P.P.,
Chairman, Public Accounts
Committee of Ontario

MICHAEL H. RAYNER, Deputy
Auditor General of
Canada

FIRST ANNUAL CONFERENCE COMMITTEE

CHAIRMAN

RODNEY J. ANDERSON,
Coordinating Partner — Toronto
Clarkson Gordon

GÉRARD LAROSE,
Former Auditor General
of Québec

MICHAEL H. RAYNER
Deputy Auditor General
of Canada

SECRETARY

WILLIAM F. RADBURN,
Assistant Auditor
General of Canada

EDWARD W. NETTEN,
Managing Partner,
Price Waterhouse
Associates

W. ROSS WALKER, Managing
Partner — Toronto,
Peat, Marwick, Mitchell
& Co.

SECOND ANNUAL CONFERENCE COMMITTEE

CHAIRMAN

L. DENIS DESAUTELS,
Partner,
Clarkson Gordon

JOHN D. BRADT, General
Auditor, Imperial Oil
Limited

JOHN J. KELLY,
Assistant Auditor General
of Canada

SECRETARY

PETER ARMSTRONG,
Director, Office
of the Auditor
General of Canada

DONALD A. BROWN, Partner,
Coopers & Lybrand

F. NORMAN SCOTT,
Provincial Auditor of
Ontario

JIM HAWKES, M.P.,
Calgary West

GUY TRUDEL,
City Auditor of Montréal

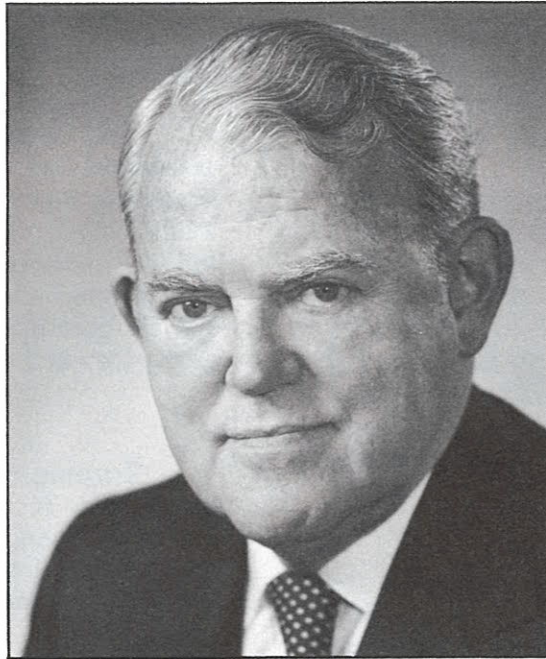
CHAIRMAN'S MESSAGE

On behalf of the Board of Governors, I am pleased to submit this First Annual Report of the Canadian Comprehensive Auditing Foundation.

It is not easy to sum up an inaugural year, except to say that it was a year of challenge, hard work and visible progress. It has been a year of building and of putting in place the organization which will carry forward the Foundation's objectives in the year ahead.

The number and diversity of organizations and individuals who joined the Foundation as members in its first year have strongly encouraged us to pursue our objectives with vigor and determination.

The Foundation is dedicated to accepting, in a substantive fashion, the challenge for audit to play a broader and more important role in the accountability process, both now and in the future. Underlying our commitment to broaden the role of audit is the principle that at all levels in the public sector, a need exists for a special brand of audit. Such audit - comprehensive audit - is necessary for providing a broader kind of assurance in the accountability reports of those who manage public programs and funds. By attesting to information about public sector economy, efficiency and effectiveness, comprehensive audit fills what has heretofore been a missing link in the accountability chain. Comprehensive auditing, when used by both internal and



external auditors, not only adds credibility to accountability reports, but encourages better reporting of the use of public funds where such reports have not traditionally been adequately prepared. Over time, this concept should also be considered for use in the private sector.

The Foundation's objectives focus on and reflect the need for developing comprehensive auditing techniques, along with a cadre of professional practitioners to apply them, and for developing approaches to applying the comprehensive auditing concept at all levels of the public sector.

Perhaps most gratifying about the year was the clear growth in the public sector's interest and acceptance of the comprehensive audit concept, and its concern for better accountability.

Such interest and acceptance were perhaps most clearly demonstrated by the reports from the Public Accounts Committees of the Parliament of Canada and the Province of Ontario. In its fourth report, the Standing Committee on Public Accounts of Parliament recommended legislation that would enable the Auditor General to put into effect a program of comprehensive auditing in wholly owned Crown corporations.

The Standing Committee on Public Accounts of the Legislative Assembly of Ontario, in a unanimous report,

recommended that the Ontario government require comprehensive auditing of all its agencies, boards and commissions and that comprehensive auditing become a requirement for all bodies receiving public funds.

The Ontario government has subsequently directed that all of its departments and agencies should be subject to comprehensive internal audits.

The need for professional accountants and auditors to pay greater attention to questions of public sector accountability was also underlined when the Canadian Institute of Chartered Accountants recently formed an accounting and auditing standards committee for governmental and other public sector bodies. At least one provincial institute of Chartered Accountants has formed a committee to monitor comprehensive auditing.

In response to growing interest in public sector accountability, the Executive Director, the Director of Methodology and Professional Development and I have been active during the year in speaking to a variety of groups about comprehensive auditing and CCAF's objectives and activities.

In its first year of operation the Foundation has put into action the principle upon which it was founded. This is the concept that CCAF is a pooling of private and public sector interests needed to achieve the Foundation's goals.

Major intellectual and professional contributions have been made by the Office of the Auditor General (OAG), where the comprehensive audit concept has been under development since 1974, and where it has formally been applied since 1976. However, the intellectual and financial support and participation of both the private and public sectors is also required for conducting applied research in the development of comprehensive auditing methodology, as it is for preparing and delivering professional development courses, publications and conferences, and conducting basic research.

Our first year of existence reflects this pooling of interests, not only financially, but also in the manner in which top flight professionals from both the public and private sector have worked together to deliver our first professional development courses, produce publications, organize the annual conference and carry out other activities.

The principle of pooling is also reflected in the composition of the Founding Board of Governors who served in 1980-1981. The Board is composed of leaders from the public and private sectors and academic communities. Our professional committee and staffing structure carry forward this same principle.

Turning more specifically to the year in review, it should be noted that, in a tangible sense, the Foundation's activities only really began with our First Annual Conference and the acquisition of our own offices and a small staff. From mid-September 1980 to March 1981, the Foundation was faced with major challenges to start its professional development course program, issue its First Annual Conference Proceedings, conduct the Foundation's first research project, make presentations on comprehensive auditing to numerous interested groups, lay the groundwork to issue methodology guides under our methodology interchange program, acquire administrative and professional staff resources and support services, and establish organizational and administrative processes. While some of this work may not have been readily apparent to those not directly involved, it will result in programs and products over the next year that should be of considerable benefit to members. The work done over the last year should also serve to chart an effective and practical course for future CCAF activities.

The highlights of the year presented in the next section of this Report, provide a synopsis of the activities and publications, courses and services that CCAF has provided to its members.

My report would not be complete without emphasizing that the Foundation's success in achieving its objectives requires the full support, participation and help of its members. The Foundation was fortunate to have had this support in its first year. On behalf of all members and the Board of Governors, I thank all those who worked to launch the Foundation and its inaugural year of activities. While it is hard to single out any one individual or group of individuals, particular thanks should go to my fellow members of the Executive Committee, Messrs. Kenneth G. Belbeck, Robert W. Rennie, F. Norman Scott and Yvan Gaudette, who contributed generously of their time, effort and experience. Special thanks is also due to those who served as Foundation Committee Chairmen and members, and to those who served as CCAF's professional development course faculty. Our First Annual Conference Committee, chaired by Rodney J. Anderson, successfully organized the Foundation's first official activity, to the benefit of all members. William F. Radburn's keen interest, hard work and perseverance as Conference Secretary deserve special mention and thanks. John J. Kelly and Hugh R. Hanson demonstrated ability, enthusiasm and dedication of the highest order in bringing the Foundation's first research study to a successful conclusion.

The Office of the Auditor General of Canada has thus far been the largest practitioner of comprehensive audit. The executive and staff of that Office have done much both to document the methodology and approaches used in comprehensive audit and to develop professional development courses. During the year, the Office of the Auditor General provided the bulk of the input for materials and courses, that either have been, or will soon be provided to CCAF members. The support of that Office was a vital contribution in our first year, particularly with respect to the participation of a number of its senior personnel in Foundation committees, our research project and in other areas. On behalf of all members, I would like to

express my gratitude to the Office of the Auditor General.

While much has been done during our inaugural year, much remains for the years to follow. The development of comprehensive audit techniques and the provision of needed professional development programs will, of course, remain the major priorities for CCAF in the future. Developing approaches to applying the comprehensive audit concept in various public and corporate sector environments will be a major challenge. We have already begun to structure our committees and orient our activities, including professional development courses, to reflect the exigencies of using this concept in different sectors.

Our program for 1982 is ambitious. With the continuing support and participation of members however, I am confident that our goals, as outlined in this report can be attained.



James J. Macdonell,
Chairman.

HIGHLIGHTS OF THE FOUNDATION'S INAUGURAL YEAR

CCAF's inaugural year, 1980-1981, saw significant achievements in various areas of major activity.

MEMBERSHIP

A successful membership program resulted in a sustaining membership by March 31, 1981, of some 63 legislative audit offices and firms practising chartered accountancy and/or management consulting. Individual memberships reached over 500. A number of internal audit organizations, representing a broad cross section of the public and private sectors, joined in the subscribing membership category.

PROFESSIONAL PRACTICES AND METHODOLOGY DEVELOPMENT

Three sessions of a professional development course entitled Fundamentals of Comprehensive Auditing were offered. Two of these courses were offered in English and one in French. All were fully subscribed.

A professional development course plan and calendar were prepared for 1982 addressing the need for courses in topical and sectoral areas.

The proceedings of the First Annual Conference were prepared, translated and issued to all members.

The Foundation established a methodology interchange program and issued several guides for various areas of comprehensive audit.

As of April 1, 1981, the Foundation appointed a full-time Director of Methodology and Professional Development

and a project co-ordinator. These appointments will provide needed professional and administrative support to the professional development and methodology programs.

RESEARCH

The Board of Governors approved CCAF's first research study, entitled "Improving Accountability - Canadian Public Accounts Committees and Legislative Auditors". This major project involved interviewing legislative auditors, members of Public Accounts Committees and senior public servants from across Canada, as well as intensive study of the literature and the law. The report reflects a practical approach to improving accountability at the senior levels of government in Canada.

INTERNATIONAL

CCAF began its International Audit Office Assistance Program (Fellowship Program) with the financial support of the Canadian International Development Agency. William H. Barton, former Canadian Ambassador to the United Nations, was appointed as Director of this program and Chairman of the Foundation's International Committee.

After visits to 20 countries in Africa, Asia, Latin America and the Caribbean, in compliance with CIDA requirements, 10 candidates were nominated for CCAF Fellowships.

Candidates from Singapore, Ghana, the Philippines and Malaysia have now arrived in Canada, and have been placed in the Office of the Auditor General of Canada.

In 1981, the Foundation received its first international member, the Government of Mexico, which joined as a subscribing member effective April 1, 1981.

FIRST ANNUAL CONFERENCE

Over 350 delegates attended the First Annual Conference of CCAF, held in Ottawa from September 21 to 23, 1980. The success of this conference was an auspicious beginning for CCAF's programs.

FINANCIAL

Primarily because membership levels were greater than anticipated and because expenses for offices and staff did not start until mid-September 1980, revenues exceeded expenses for 1980-1981. The resulting surplus has provided needed liquidity for the first few months of 1982 and has enabled CCAF to maintain its second-year membership fee schedule in line with that of the first year.

ORGANIZATIONAL

CCAF rented offices in September 1980. This entailed acquiring the necessary office equipment and in March of 1981, word processing equipment was acquired for handling membership information and the Foundation's publications.

A small but dedicated administrative group was established this year. Two administrative assistants were seconded for a temporary period to the Foundation by the Offices of the Auditor General and

the Comptroller General of Canada. Two other individuals provide reception, word-processing, clerical and administrative services.

MEMBERSHIP LIAISON

Two progress reports were issued to members to keep them abreast of the Foundation's activities and plans. More recently, two membership meetings were held - one in Montreal, and one in Toronto. These meetings provided an opportunity for a large number of members to hear first hand from CCAF's Executive, to ask questions and offer their comments and suggestions.

A new format for providing periodic information to members was developed for use in 1982.

SPEAKING ENGAGEMENTS

The Chairman, the Executive Director and the Director of Methodology and Professional Development spoke to various groups throughout the year in response to the high level of interest in comprehensive auditing and the work of CCAF. In all, 16 speaking engagements were accepted, including addresses to universities, professional institutions and other groups across Canada. These speaking engagements provided valuable opportunities for exploring the concept of comprehensive auditing, introducing CCAF, and supporting our objective of fostering the development of comprehensive auditing.

PROFESSIONAL PRACTICES AND DEVELOPMENT

Professional practices and development comprises three broad areas:

- professional development courses;
- research; and
- monitoring professional practice materials and developments among members.

The Foundation's activities in the first two areas began in its first year. The third area was subject to the establishment of a practical and ongoing approach to be followed in 1982 and beyond.

Professional Practices and Development Committee

All of the Foundation's professional practices and development activities are overseen by our Professional Practices and Development Committee. It advises on course topics and curriculum, identifies potential research projects and recommends them to the Executive Committee and Board of Governors. It also monitors and approves all publications, including research studies, for distribution. As well, the PP&D Committee provides policy guidance on the distribution of CCAF publications and advises on the methodology interchange program.

The Committee met several times this year to review various publications before CCAF issued them. In addition, individual members have spent time reviewing and responding to the Foundation's first research study report.

The Professional Practices and Development Committee, in conjunction with CCAF's Methodology Committee, has more recently been assessing future directions for CCAF activities in those

sectors where public funds are employed and where comprehensive auditing should be developed. These sectors include four broad categories: the corporate sector including Crown or government owned and controlled corporations; the institutional sector, including universities, hospitals and social service or charitable organizations; the legislative sector, including the two senior levels of government; and, local government including municipalities, school boards, commissions and similar bodies. As a result of the Committee's deliberations on these matters and the expressed interest of CCAF members and others, it is likely that some restructuring of these Committees' roles and composition will take place.

One of the most important recommendations made by the PP&D Committee during 1980-81 was the appointment of a full-time Director of Methodology and Professional Development. This appointment was recommended in light of both the high priority given by the CCAF Board of Governors to our professional development objectives and activities, and the magnitude of the task of establishing an effective professional development program.

Pursuant to that recommendation, the Chairman and Executive Committee recruited an individual to lead this activity on a full-time basis.

Appointment of Director of Methodology and Professional Development

Mr. E.F. McNamara was appointed Director of Methodology and Professional Development, effective April 1, 1981.

Developing and delivering a professional development program to meet members' needs in the emerging area of comprehensive audit practice is a major

undertaking. Mr. McNamara's background is particularly suited to successfully carrying out this task.

We are fortunate to have obtained his services on secondment from the Office of the Auditor General of Canada, where he has played a key role in that Office's methodology development efforts. Before taking up his full-time position with CCAF, Mr. McNamara had acted as director of the CCAF's first courses held earlier in the year.

Professional Development Courses

The CCAF delivered the first of its professional development courses. The courses consisted of 3 offerings of the Fundamentals of Comprehensive Auditing. Two of these courses were given in English and one in French. Registration for each course was restricted to between 20 and 25 in order to allow as much time as possible for participation in questions, case studies and exercises.

A total of 67 participants attended 3 Fundamentals courses.

Our professional development program follows the principle that it should offer a series of comprehensive auditing courses leading participants progressively from fundamental concepts through to the practical exigencies of planning, execution and reporting. The Fundamentals course adhered to this approach. The professional development program has been designed to be particularly suitable for professional auditors and consultants, employed in both internal and external audits or audit related projects, who have had experience as senior audit or project leaders. Our professional development program also reflects the expectation that members who have attended Fundamentals courses will subsequently register for more advanced CCAF courses which cover more specialized topics.

The Foundation was gratified by the response from members to its first course offerings. A broad spectrum of practi-

tioners from legislative, internal and private sector chartered accountancy and consulting firms attended the three sessions, lending broad perspectives to the sessions.

The Fundamentals course, based on material furnished by the Office of the Auditor General of Canada, was modified by the CCAF course faculty so that the diverse interests and backgrounds of the participants could be accommodated. Moreover, CCAF provided this course in French, in accordance with its policy of providing all professional development courses and professional publications in both of Canada's official languages.

Professional Development Program Planning

With the arrival of Mr. McNamara, we have begun to develop the Foundation's professional development program in much greater detail. A calendar of course offerings is being provided to all members, outlining a full schedule for 1982.

Courses of greater depth will be offered in the areas of comprehensive audit planning, execution and reporting; in addition, the Fundamentals course will be repeated. Moreover, courses will be introduced in topical areas of special interest to members.

Generally, we intend to provide courses to complement the guides issued under our methodology interchange program. These courses should be of particular assistance to practitioners working in environments other than those of the contributing sustaining member.

For 1982, we have scheduled courses in efficiency and payroll costs management, as well as courses of sectoral interest, such as the application of comprehensive auditing at the local government level. Other courses will also be offered.

Major objectives for CCAF's 1982 professional development program include:

broadening considerably the source of materials for our program, modifying these materials as required and, identifying a sufficient roster of leading individuals to act as course faculty. As with all CCAF activities, successfully meeting these objectives will require the full support and participation of the Foundation's members. In meeting these objectives, the Foundation will consult closely with its members to determine how we can best help fulfill members' comprehensive audit professional development needs.

Course Faculty - 1981

This review of CCAF's professional development activity in its first year would not be complete without giving special recognition and thanks both to those individuals who served as faculty for our first three courses, and to the organizations who generously agreed to their participation.

Each of these individuals has made an important contribution to CCAF and its members by bringing his experience and knowledge to bear in modifying, preparing and delivering our courses. Each faculty member noted below has had broad experience in providing leadership in developing and leading comprehensive audits. The following individuals made up the faculty for our course offerings in 1980-81:

E.F. McNamara (Course Director) - Director, Methodology and Professional Development, CCAF.

Gilles Chevalier, Partner, Touche Ross & Co.

Dr. Brian Corbishley, Partner, Thorne, Stevenson & Kellogg (formerly Assistant Auditor General of Canada).

Richard Cournoyer, President, Richard Cournoyer et Associés Inc.

André De Guire, Principal, Office of the Auditor General of Canada on Executive Interchange from Raymond, Chabot, Martin et Paré.

Marcel Ferland, Assistant Auditor General of Canada.

Richard Goudreau, Director, Office of the Auditor General of Canada.

Marcel Goulet, Partner, Currie Coopers & Lybrand, Ottawa.

Ronald Kiggins, Partner, Peat Marwick, Mitchell & Co. - Ottawa.

Henry McCandless, Parliamentary Liaison Officer, Office of the Auditor General of Canada.

Ronald Robinson, Partner, Thorne, Stevenson & Kellogg and President of ABT Associates.

Dr. Leonard Rutman, Professor, Carleton University.

METHODOLOGY

Two of the most important objectives for CCAF are, first, disseminating comprehensive audit methodology among members to assist them in their comprehensive audit efforts and, second, encouraging further development of methodology.

During 1981, the Foundation's Methodology Committee developed approaches for meeting these objectives, and for providing comprehensive audit practice materials to its members.

These approaches will enable CCAF to act as a clearing house for exchanging methodology materials developed by our members, (the Methodology Interchange Program); to organize a field testing and revision program for materials provided to members under the program; and, to issue methodological material in final format after it has been tested and revised as appropriate.

This three-tiered approach should ensure that members will have access to helpful practice materials on a timely basis, and that mechanisms are in place to determine how these materials can best be adapted for use by practitioners in different sectors.

We will issue materials under the methodology interchange program in the same format as they are received from the contributing member. Such materials are to be considered only as working documents until the Committee has field tested and finalized them. However, it should be noted that in all cases the contributing member organization will have carried out much research and field testing of the material before releasing it to CCAF and, through it, to its members.

CCAF's program for field testing by members and subsequent revision and

finalization will include identifying field test project leaders. Their proposed revisions and changes in format will then be considered by CCAF's professional committees.

Field testing and review by these Committees will be supplemented by soliciting commentary from a broad range of practitioners and members. Workshops and seminars will also be used to allow practitioners to share their experience and ideas in using these materials.

The success of CCAF's methodology development and dissemination program will obviously depend on its members' efforts to develop and provide these materials. CCAF is fortunate to have had access to the comprehensive audit methodology work of the Office of the Auditor General of Canada. These materials will form a significant body of knowledge with which to start the methodology interchange program. When supplemented by materials from other member organizations, the methodology interchange program should meet the diverse interests of CCAF's membership.

To encourage contributions of methodology material from all members engaged in applying comprehensive audit concepts, CCAF's program will help practitioners to document their experience and prepare materials.

During this summer (despite interruptions in postal services) we were able to distribute to all members guides on efficiency and payroll costs management.

In addition, we will be sending advisory bulletins to members describing forthcoming releases of methodology materials.

RESEARCH

CCAF was brought into existence because it was clear that much remained to be done to foster the development, application and technology of comprehensive auditing. Conducting research is one of the most important ways in which CCAF can fulfil its mandate. Accordingly, one of the first actions taken by the CCAF Board of Governors was to authorize, in September 1980, the Foundation's first research study. That study, entitled "Improving Accountability - Canadian Public Accounts Committees and Legislative Auditors" was conducted and completed during the first 12 months of the Foundation's operations.

CCAF's first research effort is aimed, logically, at one of the key sectors in which comprehensive auditing will be used, that is, at the two senior levels of government. As the name of the study implies, the research project focuses on legislative auditors and Public Accounts Committees as being two vital components in the accountability chain, which have a direct and important involvement in using and practising comprehensive auditing. Unless legislative auditors have the mandate and resources to do this kind of auditing, and unless Public Accounts Committees are organized and motivated to deal constructively with the results of such work, comprehensive audit cannot play its intended role in the accountability process.

The need for such a study is even that greater, given the important role Public Accounts Committees and legislative auditors play in providing leadership for improved accountability processes both at other levels of government and in organizations that are major users of public funds.

Specifically, the study examines Canadian Public Accounts Committees and

legislative auditors and describes their individual characteristics and operations in detail. It also identifies those features that contribute to effective operation and makes recommendations for general adoption of useful features found in the various jurisdictions.

The budget for this study was set at \$125,000 to cover out-of-pocket project costs and consultants' fees.

CCAF was fortunate to have obtained the services of two particularly well-qualified researchers to conduct the study. Mr. John J. Kelly, C.A., is an Assistant Auditor General of Canada who, prior to undertaking this study, had responsibility for the accounting and auditing standards in that Office. A graduate of the University of Toronto in commerce and finance, he qualified as a Chartered Accountant with Price Waterhouse & Co. in Toronto and continued in practice with them for ten years before joining the Office of the Auditor General in 1975. His experience in the OAG, together with his private sector audit and management experience, amply qualified him to carry out the research. We are grateful to the Office of the Auditor General of Canada for making his time available for this project.

Hugh R. Hanson is an honors graduate in political science and economics of the University of Toronto and has studied at the London School of Economics and the Canadian National Defence College. He has had extensive experience in government, having served as a senior public servant in federal and provincial departments and central agencies. Mr. Hanson is now in private practice as a consultant specializing in the machinery of government.

Because of the importance attached to this research project and the many different perspectives from which the research study topic might be approached, an advisory group was formed to provide advice and guidance to the project team.

The Advisory Committee was chaired by Alan G. Martin, C.A., now in public practice as a Chartered Accountant. His experience as a Member of Parliament from 1974 to 1979, and in particular as a Vice-Chairman of the Public Accounts Committee of the House of Commons, uniquely suited him to chairing the Advisory Committee. Its members, listed at the beginning of this Report, brought a broad range of perspectives for the study team to take into account.

During the year, the study team conducted all of the basic research field work and prepared a working draft of a report for the Research Project Advisory Committee and the Foundation's Professional Practices and Development Committee to consider.

The project involved not only an extensive literature search, but also hundreds of hours of interviews with Public Accounts Committee Chairmen and members, legislative auditors, senior public servants and others across Canada.

The Research Advisory Committee met twice, providing a thorough challenge and review of the study report drafts.

Subsequent to our fiscal year-end, a working draft of the report was presented at the Conference of Legislative Auditors, held in New Brunswick, July 6 to 8, 1981, and at the Third Annual Meeting of Public Accounts Committee Chairmen held concurrently.

These presentations afforded the study team another opportunity to expose the draft to legislative auditors and Public Accounts Committee Chairmen from across Canada, and to obtain further

response to the study's findings, conclusions and recommendations.

The study is to be released in September 1981.

Preparing a study report of the magnitude of that undertaken in the Foundation's first research project requires many hours of editorial revision. The Foundation was fortunate to have had the talents of Miss Nancy Murphy available to edit the report. Miss Murphy, who is Reports editor in the Office of the Auditor General of Canada, made a valuable and generous contribution of her personal time to the Foundation, her help is gratefully acknowledged.

In summary, this first major research effort, started and completed in CCAF's first full year of operation is, in our view, a major achievement for the Foundation and its members. We hope that it will have a positive impact on achieving improved accountability both inside and outside government.

The study has set a high standard for future Foundation research work. It will be provided to all members and made available to legislators, legislative auditors, libraries and the academic community across Canada.

INTERNATIONAL

From the outset, the Board of Governors of the Foundation recognized that the international scene presents both responsibilities and opportunities for Canada in comprehensive auditing. Over a period of more than thirty years, the Office of the Auditor General of Canada has been involved in auditing international organizations and has participated actively in international associations and international symposia.

These associations with government auditors, particularly those from developing countries, have made Canadian officials acutely conscious of the many problems the newly independent nations face and are trying to overcome. In 1979, the Canadian Ambassador to the United Nations put forward a number of proposals. These were developed by a group of Canadian consultants at the initiative of the Auditor General, and were aimed at improving the United Nations' auditing machinery. At the same time, the Ambassador announced that Canada would establish a five-year program to be funded by the Canadian International Development Agency (CIDA) at the level of \$500,000 per year. This funding would enable candidates from developing nations to obtain training in Canada in comprehensive auditing.

When the Foundation was established, one of its main objectives was to "provide professional development opportunities for auditors from developing nations". CIDA therefore decided that the Foundation would administer the program that had been announced at the United Nations. Accordingly, one of the first actions by the Board of Governors was to establish an International Committee, under the chairmanship of Dr. William H. Barton, who had been Canadian Ambassador at the United Nations at the time the fellowship program was announced. The members of the Committee include: Gordon H. Cowperthwaite,

Chairman, Peat, Marwick, Mitchell & Co.; Dr. John J. Carson, Dean, Faculty of Administration, University of Ottawa; Edward R. Rowe, Deputy Auditor General of Canada; Lewis Perinbam, Vice-President, International Programs, CIDA; G.P. Wilson, Deputy Auditor General of Canada; and Yvan Gaudette, Assistant Auditor General of Canada.

The International Committee met three times during the year and has established the following principles and operating procedures for the fellowship program:

- The objective of the program is to help national audit offices in developing nations that desire to improve and expand their work, and which are prepared, within their capacities, to work actively toward achieving this goal.
- The core of the program consists of fellowships for senior auditors. They will work for at least a year in the office of a CCAF member doing comprehensive auditing.
- Initially the training program is being carried out in the Office of the Auditor General of Canada. However, it is hoped that as comprehensive auditing becomes more widely practiced in Canada, it will be possible to assign Fellows to provincial audit offices or to public accounting firms doing comprehensive auditing in the public or non-profit sector.
- When nominating candidates, audit offices are required to give an undertaking that they will make it possible for Fellows to apply their expertise upon return to their own country.

- The Foundation will also do its best to provide follow-up assistance by Canadian advisers.
- In consultation with the Canadian International Development Agency, the primary source of funds for the program, operating practices and levels of stipends and allowances, have been established. These stipends and allowances are based on those established for the Pearson Fellowship program of the International Development Research Centre.
- A provisional goal of ten fellowships per year has been adopted after consultation with the Office of the Auditor General. Selection of candidates is based on interviews by senior members of the OAG staff and/or Foundation officers, who pay liaison visits to countries seeking assistance in accordance with CIDA requirements.

Organization of Supreme Audit Institutions, about possible assistance in regional training programs.

Messrs. E.R. Rowe, Peter Wilson and Yvan Gaudette visited over 20 countries in Latin America, Asia, the Caribbean and Africa. As a result of these visits the first two Fellows, Mr. Dorus Odamtten of Ghana and Mr. Fong Heng Boo of Singapore, commenced their programs in the autumn of 1980. They were joined by Mrs. Lucita Andres of the Phillipines and Mr. C. Nesarajah of Malaysia in the Spring of 1981. A further five or six Fellows from the Caribbean and Latin America are expected in the autumn of 1981.

In addition to the fellowship program, the Foundation and the Office of the Auditor General have been consulted and have given assistance to the Comptroller General of Mexico, who has been actively pursuing the possibility of applying the principles of comprehensive auditing in Mexico. His office has now joined the Foundation as our first International subscribing member. There have also been consultations with the Auditor General of Kenya and the Comptroller General of Colombia, in their capacities as chairmen of regional sections of the International

FIRST ANNUAL CONFERENCE

Soon after CCAF was founded, the Board of Governors and Executive Committee decided that it would be desirable to hold an annual conference. Such a conference would allow practitioners and users of comprehensive auditing, from various sectors, to share knowledge, experience and approaches.

The First Annual Conference was held in Ottawa from September 21 to 23, 1980.

The theme of the Conference - Issues and Applications - was selected to encourage debate about the need for and the role of comprehensive auditing in public sector accountability. Debates on this subject at the Conference proved to be stimulating and worthwhile. Viewpoints from many sectors were presented and discussed. These included the two senior levels of government in Canada, as well as local government, Crown corporations (both federal and provincial) and the institutional sector. The academic community's perspectives added further interest to the proceedings.

The theoretical debate about comprehensive auditing and its role and impact on public sector accountability at many levels was important. However, the Conference also provided an opportunity for practitioners and potential practitioners to share some of the methodology and approaches which had been developed. Approaches to planning comprehensive audits and various topical issues such as the audit of effectiveness, computers and human resources were presented.

Registration exceeded 350 and was a credit to the Conference organizers and planners, allowing CCAF to break even on this major activity.

Sharing methodology among all members is a CCAF priority. At its First Annual Conference, a methodology room was made available for members to examine various manuals and audit guides which the Office of the Auditor General of Canada had developed. Many members expressed interest in receiving these materials.

Soon after the Conference, work began in OAG Canada to put these documents into final form for use within that Office. As this task began the OAG, in consultation with CCAF, concluded it would benefit members to wait for these materials to be compiled into formats which would make them more useful for practitioners in other sectors. These materials have begun to flow to all members.

The First Annual Conference Committee, chaired by Rodney J. Anderson, Coordinating Partner, Clarkson Gordon, Toronto, worked hard to make the Conference the success it was.

During the year, a Second Annual Conference Committee was nominated to be chaired by L. Denis Desautels, a partner in the Ottawa office of Clarkson Gordon. One of this Committee's first jobs was to distribute a questionnaire to all First Annual Conference participants and delegates. It asked how they thought the Annual Conference format and topics could be improved in the future. As a result of the large number of responses and constructive remarks, we have structured our Second Annual Conference with particular emphasis on concurrent technical sessions.

ORGANIZATION

Board of Governors

The Board of Governors is responsible for setting policy and becomes directly involved in the approval of CCAF research projects and other major activities.

The Board's composition reflects broad cross-sections of the sectors that have an interest in comprehensive auditing. Included are the heads of legislative audit offices from across Canada, heads of chartered accountancy and management consulting firms, senior public servants and leading representatives of the academic and internal audit communities. The Board is made up of 27 members. They are elected to serve for terms of one to three years, upon nomination by a nominating committee constituted annually and upon election by CCAF's members.

The first Chairman of the Board of Governors is James J. Macdonell, who was appointed for a two-year term. The Chairman presides over meetings of the Executive Committee and supervises all the affairs of the Foundation. During the first year, this has required the full-time, day-to-day involvement of the Chairman, who has served without remuneration, other than the reimbursement of expenses incurred on Foundation business. Similarly, Board members are not reimbursed for time spent on behalf of the CCAF.

Executive Committee

To ensure the orderly direction of CCAF affairs, the Board of Governors has, under the terms of the by-laws, appointed five individuals from among its members to serve as an Executive Committee. This Committee has met regularly during the year to review CCAF activities, and has the authority of the Board to act in all areas when the Board is not in session. The Executive Committee receives reports

from various CCAF Committee Chairmen and considers recommendations made by these committees.

This Committee plays a key role in monitoring and coordinating all of the various facets of CCAF activities.

Standing Committees

In order to maintain high standards, the Board of Governors, in consultation with the Executive Committee, has appointed a number of individuals to serve as Committee Chairmen or members in each of the following areas: professional development and practices, methodology, international activities, and the annual conference.

Each Committee operates under general terms of reference approved by the Board, and it is under the auspices of these Committees that much of the work of CCAF is done. These Committees recommend to the Executive Committee, and through it to the Board, key policies, approaches and activities for each major program. The Committees also monitor activities and provide challenge and advice.

The Professional Practices and Development Committee is responsible for approving all Foundation publications. The Methodology Committee has similar responsibilities with respect to material provided to members under the Methodology Interchange Program. The roles of these Committees have been more fully described in this report under their applicable program headings.

Advisory Committees

From time to time, special advisory committees may be formed to provide advice, counsel or challenge for specific

CCAF projects. This was the case during the year when an Advisory Committee was formed for our first research project. The members of the Research Project Advisory Committee members made available to the research team their specialized experience and knowledge, and were able to provide a rigorous critique of the research team's findings, conclusions and recommendations.

The Advisory Committee was not directly involved in carrying out the research project itself.

Personnel

Because the Foundation acts only as a clearing house in the exchange of professional practices and methodological materials from its members, a large permanent staff is not required.

However, the ongoing administration of the Foundation, including membership liaison, speaking engagements and the logistics of producing and issuing materials for members, requires a permanent staff to provide these services.

In its first full year, the CCAF staff complement was kept to a minimum. Basically it included the Chairman and the Executive Director, plus two individuals who provided secretarial and administrative services, and who are on loan from two sustaining members. These and additional contracted services were funded from the revenues of the Foundation.

Subsequent to the March 31 year end of the Foundation, additional personnel were retained by CCAF, including a full-time Director of Methodology and Professional Development on loan from the Office of the Auditor General as well as staff to provide reception and word processing services.

Membership Fee Structure

Three categories of membership in CCAF are provided for under the

Foundation's by-laws. These are: sustaining, subscribing and individual.

The sustaining category is for practitioners in either the legislative audit area or for firms which practise chartered accountancy or management consulting. For these two sub-categories, fee levels are set annually by the Board of Governors. Levels are a percentage of the member's total budget, in the case of legislative audit offices, or in the case of firms, a fixed amount per partner and professional staff member up to a maximum amount.

The subscribing category of membership was established primarily to allow internal audit groups and other organizations in the private and public sector to participate fully in the Foundation at reasonable cost. This membership category also includes international organizations.

Individual membership in CCAF is available to those who are employees or principals in sustaining/subscribing firms and organizations and to those who are not affiliated with sustaining/subscribing member organizations.

Membership statistics and a list of all members of CCAF as at March 31, 1981, are included in this report. The number of members who joined in all categories during the year demonstrates the strong interest in comprehensive auditing.

Key Operating Policies

The following policies were decided during the year:

- Languages:

The CCAF provides all of its publications and professional development activities in both English and French.

- Professional Development Program:

The CCAF seeks to recover its direct and out-of-pocket costs for the prepara-

tion and delivery of professional development courses from course fees charged. Non members may register for and attend courses, but only after all members who want to enrol in these sessions have been accommodated.

- Publications:

All of the CCAF's publications, including research studies, progress reports and Annual Conference proceedings, are made available to members, usually without any charge over and above membership fees. Materials under the Foundation's methodology interchange program are similarly made available to members.

Members may obtain additional copies of all publications for a nominal charge to cover printing and handling.

- International Program:

The CCAF is committed to carrying out an International Fellowship Program. General membership revenues are not used to fund direct fellowship program costs. These costs are recovered from the Canadian International Development Agency (CIDA). However, certain overhead costs associated with the international program are absorbed from general membership revenues.

CCAF PERSONNEL

Executive Director - Jean-Pierre Boisclair, C.A., C.M.C.

The Board of Governors of the Canadian Comprehensive Auditing Foundation appointed Mr. Boisclair as the Foundation's Executive Director, on loan from his firm until March 31, 1982.

Mr. Boisclair is a partner in the national accounting firm of MacGillivray & Co. Under the Executive Interchange Program he has been responsible in the Office of the Auditor General of Canada for leading an early comprehensive audit in the Department of National Revenue, Customs and Excise. In addition, since 1974 he has also conducted a number of studies of financial management and control in federal departments, agencies and Crown corporations. From September 1979 to August 1980, he was on loan to the Office of the Auditor General of British Columbia, where he assisted that Office in introducing comprehensive auditing to British Columbia. In addition to having experience in private sector auditing, he has also had management experience in the aero-space industry as president of an aircraft component manufacturing company. He is a member of the Order of Chartered Accountants of Quebec, the Institute of Chartered Accountants of Ontario and the Quebec Institute of Management Consultants.

Director, Methodology and Professional Practices - Edward F. McNamara, C.A.

Mr. E.F. (Ted) McNamara joined the staff of the Foundation on April 1, 1981. His responsibilities as Director, Professional Practices are central to the objectives of the Foundation and CCAF is indebted to the Auditor General of Canada for authorizing Mr. McNamara's services to be seconded for this important assignment.

Mr. McNamara joined the Office of the Auditor General of Canada in October 1975, as a Principal in the Control Evaluations Group. Formerly, he was with the Efficiency Evaluation Division, Treasury Board Secretariat, where he worked for a number of years developing and applying performance measurement and program evaluation systems.

Since joining the O.A.G., Mr. McNamara's major responsibility has been in the area of "value for money" auditing. As a member of the management committee for the Study of Procedures in Cost Effectiveness (SPICE), he directed the program effectiveness evaluation studies from 1976 to 1978. He was named an Assistant Auditor General in 1979, with responsibility for "value for money" audit methodology.

He qualified as a Chartered Accountant with Clarkson Gordon in London, Ontario, and has a B.A. from the University of Western Ontario.

Chairman, International Committee and Director, Fellowship Program
- Dr. William H. Barton

In January 1981, William H. Barton joined CCAF as Chairman of the International Committee, overseeing the Fellowship Program. Mr. Barton has had a long and distinguished career in both the military and foreign service of Canada. After leaving active military service with the rank of Major, Mr. Barton held many public service positions, including (among others) Secretary of the Defence Research Board, Alternate Governor for Canada to the International Atomic Energy Agency and Assistant Under-Secretary of State for External Affairs. Most recently, prior to his retirement in 1980 from the Public Service, Mr. Barton served as Ambassador and Permanent Representative of Canada to the Office of the United Nations at Geneva and to the Conference of the Committee on Disarmament. Later, he became Permanent Representative of Canada to the United Nations in New York, serving Canada's 1977-1978 term on the Security Council.

To acknowledge Mr. Barton's achievements in the service of Canada, Mount Allison University, New Brunswick, granted him the honorary degree of Doctor of Laws at its 1978 convocation.

Project Coordinator - Ms. Heather Campbell

Ms. Campbell obtained her Honours B.A. (Economics) from Carleton University. She has had experience as a statistician at Carleton University, and at the Office of Energy Conservation, Department of Energy, Mines and Resources. Prior to joining the Office of the Auditor General in 1977, she was an economist with Canadian Economic Services Ltd. (CANECES), reviewing the Canadian trade situation with Middle-eastern countries.

While at the Office of the Auditor General, Ms. Campbell worked as a researcher on the control and administration of the SPICE program, and helped to produce several methodology guides. At the Foundation, where she has been on loan from the OAG since April 1981, she is helping to organize the Foundation's Second Annual Conference, administers professional development courses and carries out certain research work.

CCAF PERSONNEL

Administrative Assistant to the Chairman -
Miss Rita Mathers

Miss Mathers has been on secondment from the Office of the Auditor General of Canada since September 15, 1980. She provides administrative assistance and secretarial services to the Chairman and to the Director of CCAF's international program. Miss Mathers' experience includes seven years as Administrative Assistant to the Auditor General of Canada and eight years prior thereto as secretary to the senior partner of a national firm of management consultants.

Clerk/Receptionist - Ms. Mary-Jane Harris

Ms. Harris was the Foundation's first full time employee. In addition to carrying out her duties as receptionist, she performs a number of administrative and general office duties, including conference registration and invoicing and record maintenance.

Administrative Assistant to the Executive
Director - Mrs. Helen Gay

Mrs. Gay joined the Foundation's staff on October 1, 1980, on secondment from the Office of the Comptroller General. She is responsible for many day-to-day activities in the Foundation's office, including providing secretarial services, administration of membership records and procurement tasks. Apart from experience in the Federal government, she has held senior secretarial and administrative positions in the private sector.

Word Processing Operator -
Mrs. Marie Conlin

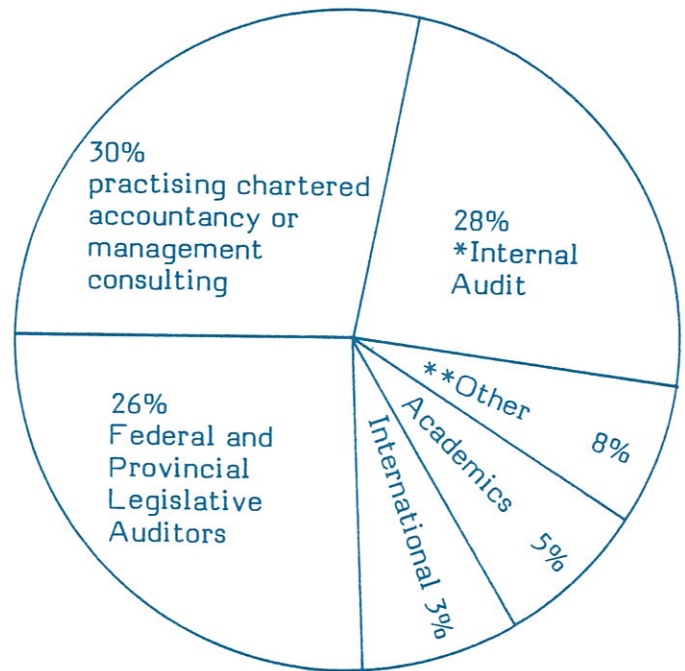
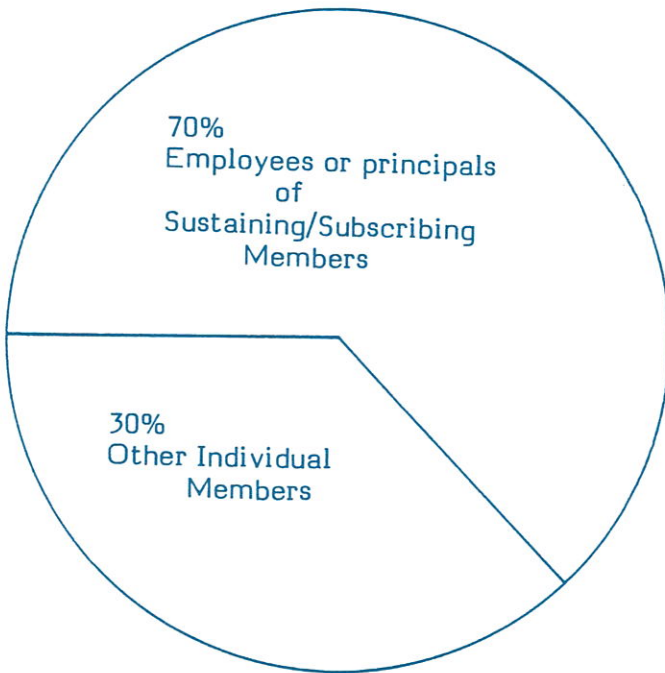
Mrs. Conlin recently joined the CCAF administrative staff and is primarily responsible for operating the CCAF's word processing equipment. Fluently bilingual, Mrs. Conlin also provides other general and clerical assistance.

MEMBERSHIP

The following statistics reflect the Foundation's range of membership as of March 31, 1981.

	<u>Number</u>	<u>Percent of Revenue</u>
Federal and Provincial Legislative Audit Offices	10	64%
Firms of Chartered Accountants and Management Consultants	53	32%
Subscribing Members		
- General	15	1%
- International	1	
Individual Members	509	<u>3%</u>
		<u>100%</u>

ANALYSES OF INDIVIDUAL MEMBERSHIPS



Members By Affiliation to Sustaining/Subscribing Member Organizations

Members By Nature of Professional Activity

*Includes members practising internal audit in federal and provincial departments and agencies and in local governments, crown corporations, institutions and other publically funded organizations.

**Other includes members in general management and representatives of professional bodies.

COMMENTS ON FINANCIAL MATTERS

The Foundation's first year of operations resulted in a surplus of over \$248,000. Generally speaking, this surplus arose from higher than forecasted membership revenues and contributions of some \$100,000.

Expenses were less than originally forecast by \$68,000, primarily because the Foundation began full operations only in the second half of the year. As well, the substantial translation and publication costs for the Foundation's first research study, for which most field work was done in the 1981 fiscal year, will not be incurred until the 1982 fiscal year.

Launching the Foundation and apprising members of the community of its existence resulted in significant non-recurring costs during the inaugural year. These costs, including media announcements, materials for prospective members and certain costs associated with establishing membership records and other clerical activities, amounted to approximately \$70,000.

CCAF rented its own premises in September 1980. In conjunction with this, office equipment, furniture and leasehold improvements were acquired at costs of \$82,000. These costs were charged to expense and represented the bulk of expenditures for appropriate Foundation facilities.

The largest single items of expense during the year were for administration. Of these, costs approximately \$65,000 was for the reimbursement of salary costs for the Executive Director, and two secretarial/administrative assistants (one to the Executive Director and one to the Chairman). Rent and other direct operating costs accounted for the balance, \$78,000.

The resulting surplus for the year provides CCAF with the necessary liquidity to sustain its operations for the first few months of fiscal 1982 without an immediate call on 1982 dues from sustaining and subscribing member organizations.

With a much larger number of publications, the costs to complete CCAF's first research project, and much more active professional practices and development and methodology programs underway, the liquidity provided by the surplus from the first year of operations is considered by the Board to be a necessary working capital fund.

Such funds will allow the Foundation to maintain a stable fee structure in 1982 and meet the cash flow demands of a much more active Foundation, remembering that the last year's expenses reflect only a half year of administrative costs and that most major activities of the CCAF were not yet launched.

The budget for fiscal 1982 has been prepared to keep expenses within projected revenues for the year without an increase in annual fees and contributions.

Not reflected in the financial statements, but essential in providing members with value for their membership, are the large number of hours contributed by members in various capacities to act as committee chairmen and members and, to assist with the launch of CCAF's professional development program. These hours, taken from business schedules and valuable personal time, represent an important asset of the Foundation which is valued highly by the Executive and Board of Governors.

GEO. A. WELCH & COMPANY
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OTTAWA, ONT. K1P 5H6

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AUDITORS' REPORT

To the Members of
CANADIAN COMPREHENSIVE AUDITING FOUNDATION
LA FONDATION CANADIENNE POUR LA VERIFICATION INTERIEURE

FINANCIAL STATEMENTS

We have audited the financial statements of the Canadian Comprehensive Auditing Foundation - La Fondation Canadienne Pour la Verification Interieure for the year ended March 31, 1981.

The audit was conducted from the date of incorporation, February 28, 1980, to March 31, 1981. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Foundation as at March 31, 1981 and the results of its operations for the period then ended in accordance with the accounting policies set out in the notes to the financial statements.

Geo. A. Welch & Company

CHARTERED ACCOUNTANTS

Ottawa, Ontario
June 30, 1981

GEO. A. WELCH & COMPANY
LEVESQUE, MARCHAND, BOULANGER & CIE
CHARTERED ACCOUNTANTS COMPTABLES AGREES
OTTAWA, HULL, BELLEVILLE, CORNWALL, PEMBROKE PICTON

299 WAVERLEY STREET
OTTAWA, ONT.
K2P 0W1

AUDITORS' REPORT

To the Members of

CANADIAN COMPREHENSIVE AUDITING FOUNDATION
LA FONDATION CANADIENNE POUR LA VERIFICATION INTEGREE

We have examined the balance sheet of The Canadian Comprehensive Auditing Foundation - La Fondation Canadienne pour la vérification intégrée as at March 31, 1981 and the statement of revenue and expenses for the period from the date of incorporation, February 28, 1980, to March 31, 1981. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Foundation as at March 31, 1981 and the results of its operations for the period then ended in accordance with the accounting policies set out in the notes to the financial statements.

Geo. A. Welch & Company

CHARTERED ACCOUNTANTS

Ottawa, Ontario
June 30, 1981.

CANADIAN COMPREHENSIVE AUDITING FOUNDATION

LA FONDATION CANADIENNE POUR LA VERIFICATION INTEGREE

BALANCE SHEET

MARCH 31, 1981

ASSETS

Cash and term deposits	\$249,063
Accounts receivable	<u>16,621</u>
	<u>\$265,684</u>

LIABILITIES AND SURPLUS

LIABILITIES

Accounts payable	\$ 14,803
Unexpended fellowship program funds (note 2)	<u>2,750</u>
	<u>17,553</u>

SURPLUS

Excess of revenue over expense	<u>248,131</u>
	<u>\$265,684</u>

Approved by the Board:

 Governor
 Governor

(See accompanying notes)

CANADIAN COMPREHENSIVE AUDITING FOUNDATION

LA FONDATION CANADIENNE POUR LA VERIFICATION INTEGREE

STATEMENT OF REVENUE AND EXPENSES

FROM THE DATE OF INCORPORATION FEBRUARY 28, 1980 TO MARCH 31, 1981

REVENUE

Membership fees and contributions	\$626,346
Interest earned	14,967
Net revenue (expense) on courses	(3,190)
Net revenue (expense) on annual conference	(606)
	<u>637,517</u>

EXPENSES

Start-up costs (note 3)	\$ 45,142
Publicity	22,911
Research project (note 4)	50,400
Committees	2,106
Publications	30,677
International program	13,341
Administration:	
Salaries	65,303
Other	77,609
Office equipment and leasehold improvements	81,897
	<u>389,386</u>

EXCESS OF REVENUE OVER EXPENSES FOR THE PERIOD \$248,131

(See accompanying notes)

CANADIAN COMPREHENSIVE AUDITING FOUNDATION

LA FONDATION CANADIENNE POUR LA VERIFICATION INTEGREE

NOTES TO FINANCIAL STATEMENTS

FROM THE DATE OF INCORPORATION FEBRUARY 28, 1980 TO MARCH 31, 1981

1. ACCOUNTING POLICIES

a) Membership fees and contributions

Membership fees and contributions are taken into revenue in the year in which they are billed.

b) Professional development courses

All costs of providing professional development courses are expensed in the year in which the courses are given.

c) Publications and supplies

These items are expensed in the year in which they are purchased.

d) Fixed assets

Furniture, office equipment and leasehold improvements are expensed in the year in which they are acquired.

e) Research Projects

The cost of research projects are expensed as incurred.

2. UNEXPENDED FELLOWSHIP PROGRAM FUNDS

The Foundation coordinates International Fellowships designed to improve the level of government audit in developing countries. Fellowship costs are funded by the Canadian International Development Agency (CIDA). The Foundation pays a portion of the administrative costs associated with this program. Unexpended fellowship program funds of \$2,750 at March 31, 1981 represents amounts paid to the Foundation by CIDA for specific fellowships but not expended at that date.

3. START-UP COSTS

Start-up costs include expenses related to printing and distributing certain materials used as part of the Foundation's membership recruitment program during the period April - September, 1980. They also include certain costs of clerical and administrative assistance used in the establishment of membership files.

CANADIAN COMPREHENSIVE AUDITING FOUNDATION

LA FONDATION CANADIENNE POUR LA VERIFICATION INTEGREE

NOTES TO FINANCIAL STATEMENTS - Cont'd.

FROM THE DATE OF INCORPORATION FEBRUARY 28, 1980 TO MARCH 31, 1981

4. RESEARCH

Research costs represent costs incurred during the year for the Foundation's first research project entitled "Improving Accountability - Canadian Public Accounts Committees and Legislative Auditors". The total budget authorized for this project was \$125,000 and it is expected that the project will be completed in the year ending March 31, 1982 within the amount authorized.

5. LEASE COMMITMENT

The Foundation has signed a three year lease expiring on August 30, 1983. The annual rent amounts to \$39,003, subject to tax and maintenance escalation clauses.

6. ECONOMIC DEPENDENCE

A significant portion of the Foundation's membership fees have come from one source.

SUSTAINING MEMBERS - MARCH 31, 1981

Ackerman Accounting,
Adams, Mann, Hinchey & Co.
Arthur Andersen & Co.
Beallor, Beallor & Burns
Belanger, Chabot et Associés
Bestwick and Partners
Bureau du Vérificateur du Québec
Campbell Sharp
D. Chochinov & Co.
Clarkson Gordon
Cogan, Landori & Dubé
Coopers & Lybrand
Culver & Co.
Currie, Coopers & Lybrand Ltd.
Deloitte Haskins & Sells
L. J. Duff & Associates
Donald O. Fairholm, C.A.
Ernst & Whinney
Flynn, Tate & Co.
Ford, Keast, Giles, Smith & Phillips
Frazer & Otton
Grant Economic Consultants Ltd.
Michael Gurstein & Associates
Harel, Drouin & Associés
W. E. Henderson, R.I.A.
R. D. Labelle Associates Inc.
John McKay & Associates
Malette, Girouard, Letendre Ltée.
MacGillivray & Co.
MacKillican & Associates
Newbound & Co.
Office of the Auditor General - Alberta
Office of the Auditor General - British
Columbia
Office of the Auditor General of Canada
Office of the Auditor General - Manitoba
Office of the Auditor General - New
Brunswick
Office of the Auditor General -
Newfoundland
Office of the Auditor General - Nova
Scotia
Office of the Auditor General - Prince
Edward Island

Palmer, Redly, Reed
Peat, Marwick, Mitchell & Co.
Peat, Marwick & Partners
D. Perrigard & Co.
Price Waterhouse Associates
Price Waterhouse & Co.
Program Planning Consultants
Provincial Auditor of Ontario
R.J. Quesnel & Associates
Raymond, Chabot, Martin, Paré
& Associés
Robertson Consultants Inc.
Samson, Bélair & Associés
Sax, Zimmel, Stewart & Co.
Thorne Riddell
Thorne Stevenson & Kellogg
Touche Ross & Co.
Touche Ross & Partners
Turcotte, Roy, Desmarais,
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