

CCAF ANNUAL REPORT TO MEMBERS 2006

AUDIT

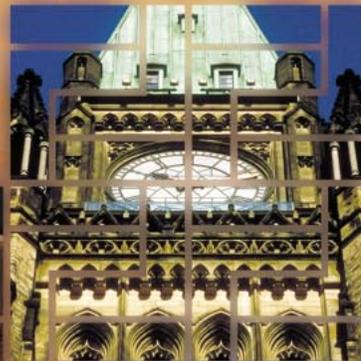
ACCOUNTABILITY

GOVERNANCE

PUBLIC REPORTING

OVERSIGHT

TRAINING



Message FROM THE Chair



OUR NICHE... PUBLIC SECTOR ACCOUNTABILITY RESEARCH

Recently I searched Google Canada for the word “accountability”. The result, on Canadian pages only: 7,960,000 hits. Interestingly, a similar search for “National Hockey League” turned up 499,000 hits.

We don’t need Google to tell us that accountability is a hot topic these days. From Bay Street corporations to non-profit organizations to governments, everyone is increasingly aware of the importance of effective accountability relationships.

The concept of accountability is straightforward. Those who exercise authority on behalf of others should account for their actions. It is in the practice of accountability, particularly in the public sector, that we come up against ambiguity and uncertainty and evolving knowledge. What is the appropriate relationship between a public servant and a legislative committee? What role can public performance reports play in strengthening accountability? Are accountability arrangements for Crown entities adequate to protect the public interest?

These are the kinds of questions that CCAF is ideally suited to investigate. We bring together the three participants in the public sector accountability process – those responsible for governance, management and audit – to look at accountability issues from all sides.

Our neutrality and independence allow us to find common ground among these perspectives. Our professionalism means we have the credibility and intellectual strength to identify best practices and lessons learned. And we’re not newcomers trying to cash in on the latest trend – we’ve been in the business for a quarter of a century.

CCAF members can take pride in the significant contributions we have made through our research and capacity-building activities over the years. This past year alone we completed important research on the effectiveness of legislative oversight committees and the use of public performance reports.

Much more remains to be done. We can’t do it without the strong support of our members. We need not only your financial support, but your input on priorities, your views on issues, your participation in our activities. Let’s take advantage of the opportunity we have to keep moving forward with CCAF: Canada’s leader in public sector accountability research.



Michael J. McLaughlin, FCMA

CCAF’s vision is the achievement of excellence in public sector governance, management and accountability.

Message FROM THE Executive Director



OUR RECIPE... MIX PEOPLE AND IDEAS

I want to emphasize CCAF's role in bringing people together to share existing knowledge and advancing knowledge and new ideas by creating opportunities for national dialogue around accountability and governance issues.

In 2005-2006, we brought many people together, all across Canada. We helped them exchange ideas. And in the exchanges, we developed new ideas together. At CCAF, we captured those new ideas in our research reports and other publications. And then we conveyed them to our members and others through conferences, symposiums, forums, presentations, articles, and our Web site.

In this Report to Members, we want to give you an overview of what your organization has accomplished on your behalf over the past year. To do so, we zero in on a handful of events and developments that convey the breadth and depth of what we do. We also look briefly at what's ahead in our key areas of activity.

CCAF is a lean organization that does a lot with a little. One of our key challenges is to ensure we don't become too lean to operate effectively.

We have adopted several strategies to address this challenge. We have sought out partners who are willing to provide us with funding to carry out mutually-advantageous activities. We have bolstered our internal strength by using expert consultants on an as-and-when-required basis. We have substantially increased our contacts with members so we can listen to your views, provide you with a continuous flow of useful information and continue to move forward in our partnership. And we are going back to our roots in the area of audit training – where demand from our members gives CCAF an opportunity to provide value added benefits to them in an area where we have excelled in the past.

You'll see these strategies reflected in the stories that follow.

Michael P. Eastman, CMA

CCAF's mission is to provide exemplary thought leadership and to build both knowledge and capacity for effective governance and meaningful accountability, management and audit. The focus for, and beneficiary of, our work is the public sector.

CCAF's BOARD ADDS NEW MEMBERS

CCAF has long benefited from the high calibre of its Board of Governors. In October 2005, members at CCAF's Annual General Meeting elected three new Governors:

- ◆ Gilles Bédard, Deputy Auditor General, Québec
- ◆ Fred Dunn, Auditor General, Alberta
- ◆ Charles-Antoine St-Jean, Comptroller General of Canada.

The Governors of CCAF subsequently elected Michael McLaughlin, Vice-President and Chief Financial Officer of the Canadian Air Transport Security Authority, to chair CCAF's Board. Fred Dunn was elected as Vice-chair; Gilles Bédard as Secretary; and, Bryan Disher, Managing Partner of the Ottawa office of PricewaterhouseCoopers, as Treasurer. The Board provides strategic guidance to CCAF and uses its influence to open doors to potential partners and collaborators.

CCAF-FCVI BOARD OF GOVERNORS (as at March 31, 2006)



CHAIR
Michael J. McLaughlin, FCMA
Vice-President and Chief Financial Officer
Canadian Air Transport Security Authority



VICE-CHAIR
Fred Dunn, FCA
Auditor General of Alberta
Office of the Auditor General of Alberta



David A. Hope, FCA
Chair
Canadian Institute of Chartered Accountants



TREASURER
J. Bryan Disher, FCA
Managing Partner, Ottawa Office
PricewaterhouseCoopers



Philip Howell
Associate Deputy Minister
Ontario Ministry of Finance



SECRETARY
Gilles Bédard, FCGA
Deputy Auditor General
Vérificateur général du Québec



John A. MacNaughton, CM
Former President and Chief Executive Officer
Canada Pension Plan Investment Board



PAST CHAIR
Peter Valentine, FCA
Senior Advisor to the President & CEO
Calgary Health Region



Charles-Antoine St-Jean, FCA
Comptroller General of Canada
Office of the Comptroller General of Canada



Navin M. Dave, FCA, CMC
Canadian Managing Partner, Regions
KPMG LLP



Richard Smith
Assistant Auditor General
Office of the Auditor General of Canada

Highlights FROM 2005-2006

NATIONAL CONFERENCE MARKS OUR 25TH ANNIVERSARY

CCAF's 25th Anniversary National Conference – Connecting to Canadians, Strategies for Change... Conditions for Success, was the highlight of the year for CCAF. The conference, which took place October 17-18, 2005 in Ottawa, explored three themes, each led by a prominent CCAF member:

- ◆ Sheila Fraser, Auditor General of Canada: *Public Accountability*;
- ◆ Rita Dionne-Marsolais, a member of the Québec National Assembly and Chair of the Assembly's Committee on Public Administration: *Parliamentary Reform*;
- ◆ Carol Layton, then Deputy Minister of Results Delivery, Results Office – Cabinet Office, Government of Ontario: *Citizen Engagement*.

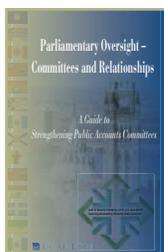
The Honourable Reg Alcock, former Treasury Board of Canada President, told a packed conference hall that the Government of Canada needs to modernize its management practices – and he asked CCAF members to help build momentum for change.

Delegates were treated to other presentations by more than 45 expert panelists. There was strong representation at the conference from federal, provincial and territorial legislatures and Auditors General's offices, as well as from central agency and internal audit personnel. This conference provided an opportunity for CCAF to showcase its research and many of our members and stakeholders have told us that they appreciated the opportunity the conference provided them to engage in a national dialogue around issues of accountability and good governance.



CCAF WRAPS UP TWO MAJOR RESEARCH PROJECTS

After many months of literature searches, surveys, site visits, interviews, roundtable discussions, interim reports, advisory group consultations, symposiums and brainstorming sessions, CCAF's research staff completed two major projects last year. The results: two final research reports.



Parliamentary Oversight - Committees and Relationships – A Guide to Strengthening Public Accounts Committees examines the relationships between public accounts committees, auditors and government managers. A product of our Accountability and Audit Research Program, it provides readers with unique tools for strengthening the powers and practices of legislative oversight committees.



Toward Producing and Using Better Public Performance Reporting – Perspectives and Solutions is the latest output of our long-running and highly successful Public Performance Reporting Research Program. It looks at how legislators, the media and the general public use the public performance reports that governments produce. It suggests ways for governments to create more relevant public reports that resonate with users, and encourages users to make more and better use of this material.

These groundbreaking reports are available exclusively from CCAF.

CCAF PLANS AUDIT TRAINING PROGRAM



The Canadian Council of Legislative Auditors, whose members are key supporters of CCAF, asked us in February 2006 to propose a plan for the delivery of audit training for the legislative audit community.

We surveyed audit offices about their needs and consulted community leaders, then suggested we launch a new audit training program with two courses: an Introduction to Performance Auditing, to begin in autumn 2006, and an Intermediate Performance Auditing course, to be offered for the first time in spring 2007. CCAF is certainly not new in the area of training. In fact, our roots are in the provision of training to the audit community – having delivered over 300 training courses to over 5000 practitioners between the early 1980's and late 1990's positions us well to re-introduce training into our business activities.

INTERNATIONAL FELLOWSHIP PROGRAM TURNS 25 TOO

Like CCAF itself, the CCAF-administered International Assistance Program for Improved Governance and Accountability (the International Fellowship Program) celebrated its 25th anniversary in 2005.

Funded by the Canadian International Development Agency, the International Fellowship Program brings highly qualified professional men and women from selected national audit offices to Canada for nine months of intensive on-the-job and classroom training. The Fellows receive instruction and practical experience from the Office of the Auditor General of Canada and the Office of the Auditor General of Québec.

The program has trained 175 Fellows from 49 countries through courses, topical sessions, practicums, audit team placements (on-the-job experience), and a variety of culturally diverse activities. The 2005-2006 class included two participants from Benin, two from Tanzania, and one each from Cameroon, Costa Rica and Thailand. Many previous graduates now hold senior positions in their offices, and we are pleased to say that 3 of the 7 participants in 2005-2006 have already received promotions in part because of their participation in this program. We also note the recent appointments of 2 of the program's Alumni to the position of Auditor General of their country: Mrs. Nafi Ngom Kaïta, Senegal – Class of 2000-2001; and Mr. Ugen Chewang, Bhutan – Class of 1992-1993

2005-2006 CLASS OF FELLOWS



Benoît Azodjilande
Chambre des Comptes de
la Cour Suprême du Bénin



Grace Mugyabuso
Office of the Controller
and Auditor General of
Tanzania



David Sobinto
Chambre des Comptes de
la Cour Suprême du Bénin



James Ryoba
Office of the Controller
and Auditor General of
Tanzania



Pauline Fortune Kane
Contrôle Supérieur de
l'État du Cameroun



Sirin Phankasem
Office of the Auditor
General of Thailand



José Alpizar Fallas
Superior Audit Institution
for Costa Rica

CCAF PARTNERS WITH SLOAN FOUNDATION

Our work on the users and uses of public performance reports led to a productive relationship with a prominent U.S.-based philanthropic institution – the Alfred P. Sloan Foundation. Sloan Program Director Ted Greenwood provided valuable input on experience in the U.S. with performance reporting. He also joined a panel on the issue of performance reporting at CCAF's national conference.

CCAF has recently (July 2006) secured a grant from the Sloan Foundation of up to US\$450,000 over three years for a program “to produce and pilot new public performance reporting approaches and vehicles that better meet the needs of legislators, the public and key intermediaries such as the media and to stimulate increased use of this reporting by them.”

To trigger the funding from Sloan, Canadian jurisdictions must make matching cash or human resources contributions to public performance reporting projects. The response so far has been enthusiastic and CCAF will provide an update to members as projects progress.

CCAF TEAMS UP WITH OTHERS

When two or more organizations work together, the result is more than the sum of the parts.

- ◆ In August, 2005, CCAF presented results of our Parliamentary Oversight project at the joint annual meeting of the **Canadian Council of Legislative Auditors** and the **Canadian Council of Public Accounts Committees**, and later at the **Comptrollers' Conference**. The groups reviewed our work in detail and provided us with highly valuable input.
- ◆ CCAF supported efforts by the Public Sector Accounting Board of the **Canadian Institute of Chartered Accountants** to develop a Statement of Recommended Practice regarding public performance reporting. In September 2005, a CICA-CCAF symposium brought together 70 representatives from government management, audit and performance measurement communities, non-governmental organizations, and academe to discuss a draft Statement. The CICA released the draft for public comment in April 2006. The statement draws on CCAF's Principles for Public Performance Reporting, developed in 2002.
- ◆ The **Canadian Healthcare Association** extended its collaboration with CCAF on the promotion of a set of principles for governance, management, accountability and shared responsibility in the health system. The two groups released the principles in January 2005, and CCAF participated in a CHA roundtable on the principles in December 2005. CCAF Executive Director Michael Eastman is a member of the CHA's External Advisory Panel on Health System Effectiveness. We had an opportunity to promote the principles at a May 2006 conference in Vancouver on Performance Measurement in Healthcare.
- ◆ The **Financial Management Institute of Canada** supported an early-2006 cross-country tour by Michael Eastman to talk to FMI chapters about CCAF's work. The tour allowed CCAF to share its research with people who play a role in the accountability process within governments. Michael later interviewed FMI President Jean Laporte about FMI's strategic direction for an Update article published in May 2006.



CCAF IS SECRETARIAT TO NEW AUDIT ORGANIZATION

The Government Internal Auditors Council of Canada (GIACC) was born at the National Forum of Government Chief Internal Auditors in Quebec City last October. CCAF has organized the forums for the past three years, and encouraged the formation of the new council. CCAF operates as the secretariat and the Executive Director sits as a member of the council.

GIACC is fast becoming the national voice of the internal audit community in Canada. For example, the council was invited to comment and endorse on an IIA draft position paper on “*The Role of Auditing in Public Sector Governance*.”

GIACC has established an Advisory Committee on Performance Measures for Internal Auditing. The group will develop suggested measures for review by GIACC members at their next national forum in Halifax in October 2006.

GOVERNMENT INTERNAL AUDITORS COUNCIL OF CANADA (as at March 31, 2006)

Mishèle Bérubé, Directrice exécutive, Comité des responsables de la vérification interne, Québec

Michael Eastman, Executive Director, CCAF-FCVI

Ken Gabora, Manager, Internal Audit, Department of Finance, Saskatchewan

John Gunter, Director, Government Audit Service, Government of the Yukon Territories

David Hill, Director, Professional Services & Internal Audit Division, Office of the Comptroller General, Newfoundland & Labrador

Dan Ho, Executive Director, Internal Audit and Advisory Services, Office of the Comptroller General of British Columbia

Jane Holatko, Director, Internal Audit & Consulting Services, Manitoba Finance

Gary Jocelyn, Director, Internal Audit Branch, Department of Finance, Saskatchewan

Richard Kennedy, Chief Internal Auditor & Assistant Deputy Minister, Ministry of Finance, Government of Ontario

Bernie Lodge, Director, Internal Audit Services Branch, Department of Finance, Nunavut

Pamela Muir, Director, Internal Audit & Risk Management Centre, Department of Finance, Nova Scotia

Bob Shabi, Director, Audit Bureau, Financial Management Board Secretariat, Government of the Northwest Territories

Stephen Thompson, Director, Audit and Consulting Services, Office of the Comptroller of New Brunswick

Jim van Adel, Treasury Board of Canada, Secretariat

Heather Zomar, Chief Internal Auditor, Government of Alberta

COUNCIL SECRETARY

Nicole Wieczorek, Director, Corporate Services and CFO, CCAF-FCVI

CCAF ORGANIZES ENVIRONMENTAL AUDITING SYMPOSIUM

In November 2005, CCAF brought together members of Canada's public sector audit community to compare notes on the topic of environmental auditing.

The symposium on *Environmental Auditing: Fostering Environmental Protection Through Good Governance and Accountability* attracted 23 participants from federal, provincial and territorial jurisdictions and the City of Toronto. It was hosted by the Auditor General of Ontario.

The assembled auditors acknowledged that environmental issues are not contained within jurisdictional boundaries, and that cross-jurisdictional collaboration can serve the public interest. The participants agreed to meet again and discussions are currently underway as to a convenient date.

CCAF COMMUNICATIONS ARE ON THE UP AND UP

Over the past two years, CCAF has substantially increased the number of communiqués (in the form of illustrative articles and news items) we make available to the membership through our website. The number went from seven in 2003-2004, to 14 in 2004-2005, to 31 in 2005-2006.

Throughout 2005-2006, we continued our Institutional Members Briefing Program. Under this outreach initiative, every one of our institutional members receives a visit from a CCAF senior staff member at least once a year. This allows us to stay in touch with our members and ensures we are alert to developments in the governance, management and audit communities.

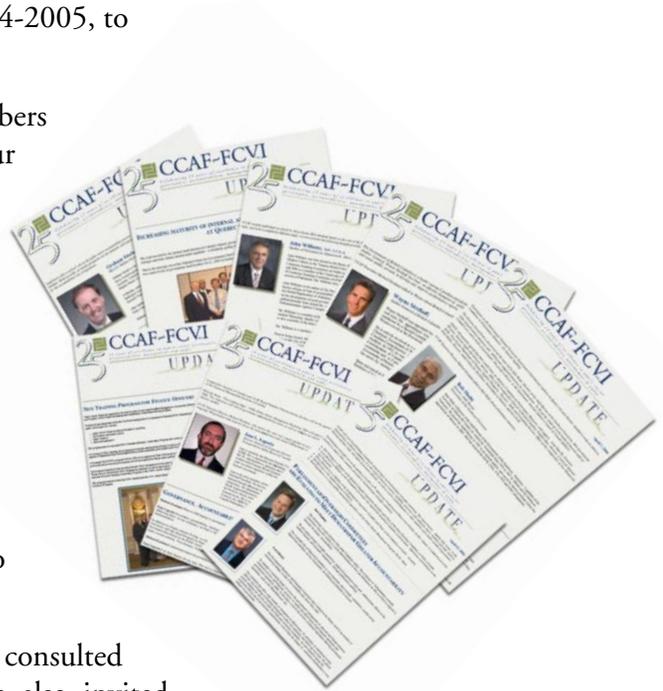
CCAF BUILDS BRIDGES

A major achievement last year was the development of close links with many elected representatives across the country. Given their importance in the accountability process, we wanted to ensure their views are reflected in our work.

They are now. In our research into parliamentary oversight, we consulted public accounts committees in jurisdictions across Canada. We also invited elected officials to play prominent roles in our national conference, on our advisory groups, and in our *Update* articles to members.

For example, Rita Dionne-Marsolais from Québec was a national conference co-chair and author of an article in the 25th Anniversary Journal we prepared. Conference panelists included Members of Parliament John Williams and Leon Benoit, Saskatchewan MLA Elwin Hermanson, BC MLA Rob Fleming, and Nova Scotia MLA Graham Steele. John Williams and Graham Steele each later wrote informative and provocative *Update* articles for our readers.

We have continued to nurture this relationship into 2006-2007. In May 2006, at a conference in Victoria on Results-Based Management, CCAF organized a panel on how political leaders are using performance information. Panel members included current or former elected officials from Québec, Alberta and British Columbia.



Research AND Capacity-Building 2005-2006

CCAF is active in two areas.

- ◆ We conduct research into accountability as it relates to governance, management and audit in the public sector; and
- ◆ Based on our knowledge of accountability, we organize or participate in educational and capacity-building activities to promote improvements in public sector accountability.

Here we report on the status of our major programs in each of these two areas.

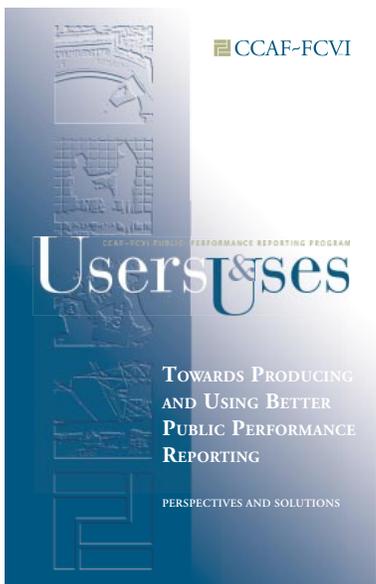
RESEARCH

Two program areas comprise CCAF's current research agenda:

- ◆ Public Performance Reporting
- ◆ Accountability and Audit

PUBLIC PERFORMANCE REPORTING

Our multi-year Public Performance Reporting research program aims to help governments and other public sector institutions advance their public performance reports toward a “next generation” of reporting.



In June 2006 we published: *Toward Producing and Using Better Public Performance Reporting – Perspectives and Solutions*. The report noted that governments have made much progress in improving their public performance reports – and that they still have a long way to go to make them truly useful to such key audiences as elected officials, the media, non-governmental organizations and the public.

This finding has led us to partner with the Alfred P. Sloan Foundation in a successor program to the Public Performance Reporting Research Program.

Contributions from Sloan will allow us to work with a selection of governments at all levels across Canada to document their efforts to date to improve performance reporting, and to identify and implement ways to make their reports more useful to key audiences. Work on this new program (the Sloan Program), will run for three years, beginning in 2006-2007.

CCAF ADVISORY GROUP ON PUBLIC PERFORMANCE REPORTING

We thank the Advisory Group that has guided us in this research program over the past years.

- Kathryn Bouey*, Former Secretary and Deputy Minister, Management Board of Ontario
- Sheila Fraser*, Auditor General of Canada
- D. Ian Glen*, Former Chairperson, National Parole Board
- Katherine Graham*, Dean, Faculty of Public Affairs & Management, Carleton University
- Susan Jennings*, Assistant Auditor General, Office of the Auditor General of British Columbia
- Geoffrey Kelley*, MNA (Jacques-Cartier), and Minister for Native Affairs
- David Moloney*, Senior Assistant Secretary, Expenditure Management Sector, Treasury Board Secretariat, Canada
- Graham Steele*, MLA (Halifax Fairview), and Former Chair of the Standing Committee on Public Accounts, Legislative Assembly of Nova Scotia
- Daryl Wilson*, Former Auditor General of New Brunswick

ACCOUNTABILITY AND AUDIT

We completed one research project and started a second one under this program in 2005-2006.

Our project on Parliamentary Oversight identified the characteristics of effective public accounts committees. The research included a literature review, a study of international good practices in legislative oversight, a survey completed by Clerks of public accounts committees across Canada, and interviews and roundtable discussions with the chairs of public accounts committees, other parliamentarians, legislative auditors, and senior public service managers in all Canadian jurisdictions.

ADVISORY GROUP ON ACCOUNTABILITY AND AUDIT

Rita Dionne-Marsolais, MNA (Rosemont) and Chair of the Committee on Public Administration, National Assembly of Quebec
Fred J. Dunn, Auditor General of Alberta
David Fairbotham, Acting Comptroller General of British Columbia
Carman Lapointe-Young, Auditor General of the World Bank Group
Carol Layton, Deputy Minister, Public Infrastructure Renewal, Government of Ontario
David McLaughlin, Former Chief of Staff, Minister's Office, Ministry of Finance Canada and Executive Director, Advisory Panel on Fiscal Imbalance, Council of the Federations (formerly Deputy Minister, New Brunswick, Commission on Legislative Democracy)
Michael J. McLaughlin, Vice-President and Chief Financial Officer, Canadian Air Transport Security Authority & Chair, CCAF-FCVI Board of Governors
John L. Noseworthy, Auditor General of Newfoundland & Labrador
Jon W. Singleton, Auditor General of Manitoba
Charles-Antoine St-Jean, Comptroller General of Canada
Ken Stewart, Councillor, Municipality of Maple Ridge
Axel Thesberg, Canadian Managing Partner, National Assurance Centre and Professional Practice, KPMG
John Wiersema, Deputy Auditor General of Canada
John Williams, MP (Edmonton-St. Albert) and Former Chair of the Standing Committee on Public Accounts, House of Commons

The final report, entitled *A Guide to Strengthening Public Accounts Committees*, includes a set of six booklets that together could serve as an orientation package for oversight committee members.



In 2005-2006, CCAF began work on the new *Crown Entities* project under the Accountability and Audit research program. As this work progresses, we are finding that little research exists on the accountability arrangements between a Minister and the Board/CEO of a Crown Entity from across Canada perspective, as most research is specific to a jurisdiction. Our research will provide illustrative examples of how various jurisdictions across Canada manage their Crown entities. We will publish an initial report out of this project in 2006-2007.

EDUCATION AND CAPACITY-BUILDING

At CCAF, we do not believe in producing research and then letting it sit on a shelf. We take what we have learned and bring it to those who can benefit from the knowledge, helping them in the process to turn the knowledge into action. This sharing of knowledge constitutes the education and capacity-building side of our mandate.

Some examples: Last October we brought together all three of our communities of interest at our 25th Anniversary National Conference. Throughout the year we hold smaller symposiums and workshops, and participate in numerous events organized by others. Over the past three years, we have facilitated the creation of a national council of government chief internal auditors, with which we continue to work closely. We will be taking our report on Parliamentary Oversight right into the legislatures of Canada's federal, provincial and territorial governments to brief legislative committees on our findings. And we publish not just our research results but also articles by and interviews with the key participants in the accountability process.

We want to note developments in two key programs here.

AUDIT TRAINING

In past years, CCAF had a track record in developing and delivering training specifically geared to the audit community in Canada. Now, at the request of the Canadian Council of Legislative Auditors (CCOLA), we are re-entering the audit training field. Our initial course, The Fundamentals of Performance (Value-for-Money) Audit, will be piloted in the fall of 2006. We share the belief of Canada's legislative auditors that capacity development, in this case through audit training, is a very worthwhile activity.

INTERNATIONAL FELLOWSHIP PROGRAM

With the IFP, formally known as the International Assistance Program for improved Governance and Accountability, soon to be entering its last year (2006-07) of operation within the current 5-year contribution agreement (CA) with the Government of Canada (CIDA), the CCAF has, over the past year, made some important adjustments in the program reflecting new realities. With the release of the Government of Canada's *International Policy Statement* in 2005, and the Government's large focus on Africa in terms of development assistance, the IFP has shifted its priority to Africa, as well. This was quite evident in the selection of countries/SAIs and participants in the class of 2005-06 of the IFP. Five out of the 7 participants were from African countries – Benin (2), Cameroon (1), Tanzania (2) with the other 2 participants from Costa Rica and Thailand.

This trend will continue in the last year of the current CA with 4 of 5 fellowships going to African SAIs – Cameroon (2), Mali (1) and Tanzania (1).

The CCAF and the program's other Canadian partners, the Office of the Auditor General of Canada and the *Vérificateur général du Québec* are also bringing about other adjustments to the IFP, relating to its curriculum and training component to better reflect the needs of participating organizations and strengthen linkages with the priorities of Canada in sharing good governance and accountability methods and practices with international partners.

The CCAF will continue to ensure that the IFP remain a relevant and important contributor to Canada's efforts to support improved governance and accountability activities within targeted countries. With the opportunity to submit a new proposal to CIDA for the renewal and possible expansion of the IFP to other Canadian host legislative audit offices later in 2006, the CCAF, in collaboration with the program's partners, will propose further adjustments and improvements to the program, thus ensuring its proper alignment with Canadian priorities and our international partners' needs.

CCAF INTERNATIONAL COMMITTEE

Nick Hare, Chair

Antonine Campbell, Principal, International Relations,
Office of the Auditor General of Canada

François Boisclair, Director, Auditor General of Quebec

Yves Gauthier, Senior Vice-President and Chief Financial
Officer, Desjardins Securities Inc.

Richard Smith, Assistant Auditor General of Canada

Ex-Officio

Michael P. Eastman, Executive Director, CCAF

CIDA Representative

Elly Vanderberg, Senior Program Officer

Committee Secretary

Marc Meloche, Director, Strategic Planning and International
Affairs, CCAF

MOYNAGH SAYS GOODBYE, DUBROW SAYS HELLO



CCAF's long-time Director of Research, David Moynagh, returned to the federal government early in 2006 after 16 years with the Foundation. Under his guidance, CCAF made major contributions to the advancement of knowledge about governance, management, audit and accountability in the public sector. It built strong research relationships with members across the country, and formed productive partnerships with like-minded organizations. No wonder we miss him so much!

In June 2006, Geoff Dubrow joined CCAF as Director of Capacity Development. Geoff brings ten years of governance experience to the foundation, specializing in institution-building, parliamentary oversight and audit offices.



CCAF Services TO Members/Administration

A small research organization such as CCAF is highly reliant on a handful of key staff members whose particular skills, abilities and knowledge are essential to meeting the needs of members and advancing the agenda of the organization. Here are the staff members who are serving you.

LYNNE CASIPLE-LUECK
Computer Specialist

DAVID CLAMEN
Research Assistant

GEOFF DUBROW
Director, Capacity Development

MICHAEL P. EASTMAN
Executive Director

HEATHER ELGEE
Research & Administrative Assistant

CAROLINE JORGENSEN
Manager, International Programs

MARC MELOCHE
Director, Strategic Planning
and International Affairs

DANIEL RUBENSTEIN
Senior Research Associate

NICOLE WIECZOREK
Director, Corporate Services,
Chief Financial Officer and
Secretary to the GIACC

Thanks TO OUR Contributing Members

CCAF recognizes and thanks the following member and contributing organizations for the support they extend to the CCAF allowing us to continue our research and capacity development activities.



ALBERTA — OFFICE OF THE AUDITOR GENERAL



NEW BRUNSWICK — OFFICE OF THE AUDITOR GENERAL

THE ALFRED P. SLOAN FOUNDATION



NEWFOUNDLAND — OFFICE OF THE AUDITOR GENERAL



BRITISH COLUMBIA — OFFICE OF THE AUDITOR GENERAL



NOVA SCOTIA — OFFICE OF THE AUDITOR GENERAL



CANADA — OFFICE OF THE AUDITOR GENERAL



NOVA SCOTIA — TREASURY AND POLICY BOARD



CANADIAN AIR TRANSPORT SECURITY AUTHORITY



ONTARIO — MINISTRY OF FINANCE



CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS



ONTARIO — OFFICE OF THE AUDITOR GENERAL



CANADIAN INTERNATIONAL DEVELOPMENT AGENCY



PRICEWATERHOUSECOOPERS



GOVERNMENT OF THE NORTHWEST TERRITORIES



PRINCE EDWARD ISLAND — OFFICE OF THE AUDITOR GENERAL



GOVERNMENT OF NUNAVUT



QUÉBEC — VÉRIFICATEUR GÉNÉRAL DU QUÉBEC



INFRASTRUCTURE CANADA



SASKATCHEWAN — OFFICE OF THE PROVINCIAL AUDITOR



KPMG CANADA



TREASURY BOARD OF CANADA / OFFICE OF THE COMPTROLLER GENERAL



MANITOBA — OFFICE OF THE AUDITOR GENERAL

Management Report TO Members

CCAF-FCVI financial statements for the year ended March 31, 2006, together with the auditor's opinion thereon are presented in this report. CCAF's Audit Committee has met with the Foundation's auditors, who reported to the Audit Committee that there were no deficiencies in CCAF internal controls.

The audit committee is comprised of two CCAF Board Members and one external member who is appointed by the board and is not an employee of the CCAF. The audit committee meets with management and the external auditor several times before and throughout the audit to discuss issues related to the audit, internal controls and financial and reporting issues. At each meeting, as required and determined by the Chair of the audit committee, the audit committee and the external auditor hold an in-camera session without management's presence.

The Audit committee reports on the results of the audit to the board and recommends approval to publish audited financial statements. The audit committee also recommends the engagement or reappointment of the external auditors.

We reported last year that funding levels had stabilized and were sufficient to sustain ongoing operations and are pleased to report that we saw our membership and research contributions increase this year. We continue in our efforts to maintain stability with respect to our funding and to continue to service the needs of our key stakeholders.

The culmination of two major research projects during the 2005-2006 fiscal year is reflected in an increase in program expenses including research and capacity development, communications and stakeholder relations, as we discussed and reported the results of our research projects to our members and stakeholders.

Increases in Salaries are related to a one-time non-recurring charge in 2006. Decrease in rent expense is reflective of a relocation of CCAF premises to a more economical location.

The financial statements that follow in this report have been audited by Welch and Company, the external auditors, in accordance with Canadian generally accepted auditing standards.



Micheal Eastman
Executive Director



Nicole Wieczorek
Chief Financial Officer

FINANCIAL STATEMENTS

For

CCAF-FCVI INC.

For year ended

MARCH 31, 2006



Welch & Company LLP
Lévesque Marchand, Chartered Accountants

AUDITORS' REPORT

To the members of

CCAF-FCVI INC.

We have audited the statement of financial position of the CCAF-FCVI Inc. as at March 31, 2006 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

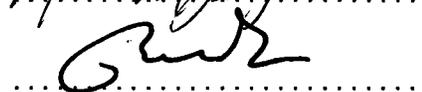
Welch + Company LLP
CHARTERED ACCOUNTANTS

Ottawa, Ontario
May 8, 2006.

CCAF-FCVI INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 251,437	\$ 298,429
Accounts receivable	53,174	149,946
Prepaid expenses	<u>24,665</u>	<u>26,628</u>
	329,276	475,003
 EQUIPMENT AND LEASEHOLD IMPROVEMENTS - note 4	 <u>5,488</u>	 <u>14,789</u>
	<u>\$ 334,764</u>	<u>\$ 489,792</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 159,858	\$ 87,659
Deferred revenue - note 5	16,397	95,163
International program funds payable - note 6	<u>27,647</u>	<u>30,460</u>
	<u>203,902</u>	<u>213,282</u>
 NET ASSETS	 <u>130,862</u>	 <u>276,510</u>
	<u>\$ 334,764</u>	<u>\$ 489,792</u>

Approved on behalf of the Board:

 Director
 Director

(See accompanying notes)

CCAF-FCVI INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
REVENUE		
Membership fees and contributions	\$ 1,016,976	\$ 997,322
Research contributions	186,335	142,173
Net revenue (expense) from publications and conferences - note 7	(27,116)	836
Interest and other	<u>5,825</u>	<u>2,498</u>
	<u>1,182,020</u>	<u>1,142,829</u>
PROGRAM EXPENSES		
Research and development	685,380	657,689
Communications	127,859	93,883
Stakeholder relations	<u>108,747</u>	<u>74,002</u>
	<u>921,986</u>	<u>825,574</u>
GENERAL EXPENSES		
Salaries and benefits - note 8	243,160	184,382
Rent	73,292	91,089
Board and executive meetings	18,669	25,891
Office and general operating costs	61,260	74,899
Amortization	<u>9,301</u>	<u>15,581</u>
	<u>405,682</u>	<u>391,842</u>
	<u>1,327,668</u>	<u>1,217,416</u>
NET EXPENSE	(145,648)	(74,587)
NET ASSETS AT BEGINNING OF YEAR	<u>276,510</u>	<u>351,097</u>
NET ASSETS AT END OF YEAR	<u>\$ 130,862</u>	<u>\$ 276,510</u>

(See accompanying notes)

CCAF-FCVI INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Net expense	\$ (145,648)	\$ (74,587)
Items not requiring a current outlay of cash:		
Amortization	<u>9,301</u>	<u>15,581</u>
	(136,347)	(59,006)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	96,772	(100,322)
Decrease in prepaid expenses	1,963	486
Increase in accounts payable and accrued liabilities	72,199	7,223
Increase (decrease) in deferred revenue	<u>(78,766)</u>	<u>79,809</u>
Net cash provided by (used in) operating activities	<u>(44,179)</u>	<u>(71,810)</u>
Investing activities		
Purchase of equipment and leasehold improvements	<u>-</u>	<u>(16,461)</u>
Financing activities		
International program funds advanced - net of expenditures	<u>(2,813)</u>	<u>(4,103)</u>
NET CASH FLOWS	(46,992)	(92,374)
CASH, BEGINNING OF YEAR	<u>298,429</u>	<u>390,803</u>
CASH, END OF YEAR	<u>\$ 251,437</u>	<u>\$ 298,429</u>

(See accompanying notes)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

1. **AUTHORITY AND OPERATIONS**

The Foundation was established in 1980 by letters patent under the provision of Part II of the Canada Corporations Act.

The Foundation provides thought leadership and builds both knowledge and capacity for effective governance and meaningful accountability, management and audit. The focus for, and beneficiary of, the Foundation's work is the public sector. The Foundation's principal activities are research, education, and other capacity-building support programs in the following areas: governance information and related governance and accountability practices; integrated (non-financial & financial) performance information used to report publicly or to support strategic and business planning and results improvement; comptrollership and related management approaches and practices comprising performance information, risk, control and ethics; performance auditing, including but not limited to, audits of performance information reported to governing bodies and/or the public; and, auditing of stewardship, management, comptrollership and other results-oriented management practices.

The Foundation was organized and is operated for the purposes outlined above and as such is not taxable under the Income Tax Act of Canada.

2. **ACCOUNTING POLICIES**

a) *Membership fees, contributions and conference fees*

Membership and conference fees are taken into revenue in the year which they are earned. Contributions have been recorded using the deferral method of accounting for contributions. Under the deferral method, contributions are taken into revenue in the year in which they are earned.

b) *Development costs*

The Foundation develops courses and publications for the purposes outlined in note 1. Fees charged for the use and purchase of such items are generally set such that only direct costs are recovered. All costs related to development of courses and publications are expensed in the year incurred.

c) *Publications*

Due to the uncertainty of recovering direct costs incurred in the printing of publications, such costs are expensed in the year incurred.

d) *Equipment and leasehold improvements*

Furniture, office equipment and leasehold improvements are stated at acquisition cost.

Amortization of furniture and office equipment is provided on the straight-line basis over a three year period. Amortization of leasehold improvements is provided on a straight-line basis over the expected remaining term of the lease.

e) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CCAF-FCVI INC.

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2006

3. **FINANCIAL INSTRUMENTS**

The Foundation's financial instruments consist of cash, accounts receivable and accounts payable as well as international program funds payable. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value due to their short term nature.

4. **EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

The equipment, leasehold improvements and related accumulated amortization are as follows:

	<u>2006</u>	<u>2005</u>
Furniture, office equipment and leasehold improvements	\$ 90,528	\$ 109,368
Accumulated amortization	<u>85,040</u>	<u>94,579</u>
	<u>\$ 5,488</u>	<u>\$ 14,789</u>

5. **DEFERRED REVENUE**

Deferred revenue consists of various operating and research contributions related to periods subsequent to the year end as summarized below:

	<u>Operating</u>	<u>Research</u>	<u>Total</u>
Balance, March 31, 2005	\$ 25,663	\$ 69,500	\$ 95,163
Recognized as revenue in the year	(25,663)	(69,500)	(95,163)
Received in year and applicable to subsequent periods	<u>16,397</u>	<u>-</u>	<u>16,397</u>
Balance, March 31, 2006	<u>\$ 16,397</u>	<u>\$ -</u>	<u>\$ 16,397</u>

CCAF-FCVI INC.

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2006

6. INTERNATIONAL PROGRAM FUNDS

The Foundation coordinates a program designed to improve the process of public sector governance in developing countries. International program costs are funded by the Canadian International Development Agency (CIDA), with in-kind contributions from the Offices of the Auditors General of Canada and Québec and participating Supreme Audit Institutions. The current contributions agreement with CIDA, which expires September 30, 2007, provides for funding to the end of the contract of up to \$383,000. CIDA pays the direct costs associated with this program and makes a contribution to the Foundation's general overhead.

The financial activities of the international program consist of the following:

	<u>2006</u>	<u>2005</u>
a) Revenues and expenses		
Program revenues	\$ 356,854	\$ 358,153
Direct expenses	242,804	244,102
Administrative expenses	<u>114,050</u>	<u>114,051</u>
	<u>\$ 356,854</u>	<u>\$ 358,153</u>
b) Flow of program funds		
Funds payable at beginning of year	\$ 30,460	\$ 34,563
Advances received from CIDA	354,041	354,050
Expenditures for year	<u>356,854</u>	<u>358,153</u>
Funds payable at end of year	<u>\$ 27,647</u>	<u>\$ 30,460</u>

7. NET REVENUE (EXPENSE) FROM PUBLICATIONS AND CONFERENCES

Net revenue from the above activities consists of the following and does not include any allocation for non-salary overhead.

	<u>2006</u>			<u>2005</u>		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Conferences	\$ 157,259	\$ 191,626	\$ (34,367)	\$ -	\$ -	\$ -
Publications	<u>7,441</u>	<u>190</u>	<u>7,251</u>	<u>984</u>	<u>148</u>	<u>836</u>
	<u>\$ 164,700</u>	<u>\$ 191,816</u>	<u>\$ (27,116)</u>	<u>\$ 984</u>	<u>\$ 148</u>	<u>\$ 836</u>

.../4

CCAF-FCVI INC.

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2006

8. SALARIES AND BENEFITS

The total amount of salaries and benefits was \$930,231 (2005 - \$876,080). Salaries are allocated to various operational areas as outlined in the following table.

	<u>2006</u>	<u>2005</u>
Research	\$ 449,241	\$ 507,723
Communications	92,581	73,322
International program	58,000	58,347
Stakeholder relations	87,249	52,306
General salary expense	243,160	184,382

9. MEMBERSHIP FEES AND CONTRIBUTIONS

The Foundation derives approximately one third of its membership revenue from a single member.

10. COMMITMENTS

Lease

The Foundation has entered into a lease agreement for office premises with the following annual commitments. The lease expires February 28, 2010.

2007	\$ 72,177
2008	74,342
2009	76,562
2010	72,117