



Making A Difference

2007-2008 Annual Report

 **CCAF-FCVI**^{INC}

The background features a grid of squares in shades of blue and orange. A large, stylized leaf graphic is overlaid on the grid, with its stem pointing towards the bottom center. The leaf is filled with a gradient from blue to orange, matching the grid colors.

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-FCVI BOARD OF GOVERNORS

(AS AT MARCH 31, 2008)



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Independent Consultant

Former Deputy Auditor General of Canada & Former Vice-President & Chief Financial Officer of Canadian Air Transport Security Authority



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Member, Audit Committee

Is CCAF MAKING A DIFFERENCE?



Most people, as they mature, harbour a desire to do something meaningful with their lives. Often they express this desire by saying they want to “make a difference” in the world, or at least in the lives of those around them.

Non-profit organizations should likewise make a difference. By definition, they are not in business to make a profit. Their success is measured not in dollars and cents, but in the contribution they make to their community. Their reward is measured in the success of others; their profit is the respect of their colleagues.

So, is CCAF – now certainly a mature organization at 28 years old – making a meaningful contribution to its community? Have we effectively changed and adapted to the needs of our stakeholders?

Canada’s legislative auditors think so. Every single federal, provincial and territorial legislative audit office is a member of CCAF. Together the auditors fund the Foundation’s core research. In 2006 they asked us to launch an ambitious new audit training program (now up and running with strong course attendance from audit offices). And every year they invite CCAF to play a leadership role at their annual conference – the only outsiders so honoured.

Members of public accounts committees across Canada think so. Many committees have invited CCAF to appear before them to present the results of our research into ways to strengthen public accounts committees. At last year’s joint annual meeting of the Canadian Council of Public Accounts Committees and the Canadian Council of Legislative Auditors, they responded enthusiastically to CCAF’s workshop on the Public Accounts Committee of the Future.

The Canadian International Development Agency thinks so. In 2007 it signed a new Contribution Agreement with CCAF for the International Legislative Audit Assistance Program for Improved Governance and Accountability. Annual funding went from about \$375,000 to about \$1.3 million – almost a 250% increase. That’s a vote of confidence.

The heads of supreme audit institutions in developing countries think so. They have been sending their senior staff to Canada to participate in CCAF’s International Program since 1980. And under the expanded program, they are now hosting courses and workshops in their own countries, “twinning” with provincial auditors general from Canada, and welcoming CCAF to their countries to help build stronger relationships with legislators and government executives.

Provincial and territorial heads of internal audit think so. For the past five years they have come together annually under the auspices of CCAF and Ontario’s Internal Audit Office to discuss issues of mutual interest. In 2005, with support from CCAF, they created the Government Internal Auditors Council of Canada, which is becoming the voice of the public sector internal audit community in Canada. CCAF serves as the Secretariat to the Council.

Canada’s comptroller community think so. They commissioned CCAF to conduct a ground-breaking study of comptroller practices across Canada. And like the auditors general, they invite CCAF to participate every year in their annual conference.

The New York City-based Alfred P. Sloan Foundation thinks so. It funded CCAF for three years to investigate and promote ways to improve public performance reporting in Canada’s public sector. With the funding, CCAF has engaged government managers, elected officials, journalists and non-governmental organizations in extensive discussions about how to make performance reports more useful.

Is CCAF making a difference? Judging by their actions, the communities we serve certainly think so. We intend to continue working to respond to their needs and maintain their ongoing support.

A handwritten signature in dark ink that reads "Michael McLaughlin". The signature is written in a cursive, flowing style.

Michael McLaughlin, FCMA
Chair

Message from the Chair

CCAF's STRATEGIC GOALS



To set out what CCAF aims to accomplish for our membership, the Board of Governors with the support of management recently identified four strategic goals for the Foundation for the period between now and 2012-2013. The goals identify the outcomes CCAF expects to achieve through our efforts to advance the Foundation's Mission and Vision.

Our first is to **build capacity, with a focus on audit**. This reflects the lead role CCAF has taken in audit training. We are working towards this goal through the development of our audit-related courses, workshops and seminars, and through the *Annual Update on Accounting and Auditing Standards in the Public Sector* that KPMG delivers.

Looking forward, we plan to create a curriculum for audit office training, together with Canadian Council of Legislative Auditors (CCOLA). We also plan to develop one new audit course a year consistent with that curriculum.

Our second strategic goal is to **create and share knowledge about management, governance and accountability issues**. At CCAF, we create knowledge through our research. We share it by communicating our research results to our members and the broader community through reports, journal articles, our website, workshops, conferences, etc.

Our main research focus now is our new *Risk, Innovation and Control* research program. In due course we will need to identify our next research topic or topics, and begin work on them.

Our third is to **help strengthen the participants in the accountability process** – particularly legislators (and through them, the citizens they represent), government managers, and auditors. We accomplish this primarily through our capacity development activities. We include in this our international activities, our work with public accounts committees, our public performance reporting program, and our work with comptrollers and the internal audit community.

We hope to strengthen relationships with some communities, such as municipal auditors, internal auditors in Crowns and municipalities, standard-setting organizations, and large accounting firms. We think these communities can both contribute to and benefit from our work with the public sector – although we have to be conscious of resource constraints on our capacity to work with them.

Our fourth strategic goal is to **manage the CCAF Secretariat effectively**. The challenge of finding and keeping good staff is a priority for me, and I am very proud of the staff we have at the Foundation. They are all action-oriented and strongly committed to meeting the needs of CCAF's members.

We are also leveraging our in-house resources by encouraging CCAF members to serve on committees and advisory groups and as associates, faculty, conference speakers, and so on. In addition, we are exploring partnerships with other organizations, such as the Canada School of Public Service and the Institute of Public Administration of Canada, on projects or programs that advance our members' interests.

This *Annual Report* provides a business line by business line overview of our activities in 2007-2008. As you read through it, you will be able to see how the actions we are taking now are moving us towards the achievement over time of these four important strategic goals.

A handwritten signature in black ink, appearing to read 'Michael Eastman'.

Michael Eastman, FCMA
Executive Director

Message from the Executive Director

RISK, INNOVATION AND CONTROL: BUILDING MOMENTUM

In 2007 the CCAF's Board of Governors in consultation with CCAF institutional members, chose the issue of *Risk, Innovation and Control* as the focus of the organization's next major research initiative. To spearhead the effort, Lee McCormack was brought on as the new Director of Research in December, and since then has been building the foundation for this multi-year project.

Issues associated with risk, innovation and control are pertinent to all Canadian governments. The layering of administrative rules (to the extent that they lose clarity or work at cross-purposes) can impede efficiency and effectiveness, create an environment of risk aversion, and stifle the ability to develop innovative solutions to public problems. Organizations caught in a "web of rules" may find themselves devoting significant resources simply to complying with administrative rules.

The aim of the *Risk, Innovation and Control* project is "to identify practical ways for public sector organizations to reduce administrative rules to those that are necessary – while managing risks, creating room for innovation, and maintaining a robust environment of internal control." This means developing principles, guidance and best practices in the early stages of the project and moving these into practical tools for managers and auditors as the project progresses. Federal, provincial, and international case studies will be used to identify best practices, and consultation will take place throughout the project with individuals from the management, auditing, and legislative communities.

To date, a great deal of the foundational work has been initiated to get this project off the ground. Some of those activities include the following:

- ◆ A work-plan was approved by the CCAF Board and sets out a 3-year plan for the project – from building momentum and developing the principles and supporting tools in the first two years, to embedding these principles in management and audit practice in the third year.
- ◆ A literature review has been conducted to lay the conceptual framework for developing an initial principles document, as well as provide a frame of reference for the concepts and issues involved.
- ◆ An initial principles and guidance document has been produced, titled "Dealing with the Web of Rules: Practical Ways to Embrace Risk Innovation and Control in Public Sector Organizations". This document has been circulated to the CCAF Board and to a number of senior officials for feedback. It continues to be altered to reflect this feedback.
- ◆ An Advisory Committee has been formed to discuss important issues related to the project and will hold its initial meetings in the summer and fall of 2008.

Problem?

- ◆ Some public servants *believe* that:
 - ▶ Reasons behind administrative rules are not always clear
 - ▶ Rules overlap, or work at cross purposes
 - ▶ Rules are unconnected to risk - easy to create, hard to eliminate
 - ▶ Environment is risk averse - few incentives to innovate
 - ▶ Innovative projects will fail: but no room to fail, protect, and learn
 - ▶ Auditors, managers, legislators not on the same page
- ◆ Tied in a web of rules - process driven - lack of trust
- ◆ How can we be more innovative in public sector management to improve productivity?

CCAF Work

Three-year project will focus on producing principles, guidance, best practices and tools that will help public sector managers identify strategies to:

- ◆ reduce rules to those necessary
- ◆ strengthen risk management capacity
- ◆ encourage innovation
- ◆ maintain control

Hands on approach

- ◆ work with staff/managers, auditors, legislators
- ◆ seminars, discussion drafts, testing of tools

- ◆ Lee McCormack has presented the project and its early findings at both the Canada School of the Public Service 'University Seminar' and the Public and Performance Exchange (PPX) Annual Symposium.
- ◆ Presently, CCAF is considering a national symposium (possibly to be held in November 2008), which could involve senior elected and non-elected officials from both federal and provincial levels as well as members of the academic community.

CCAF intends to have the principles (and their supporting guidance) widely distributed as a discussion document in the latter part of 2008. As this discussion draft is being circulated for advice and consequently modified, we will be identifying and developing case studies and other practical tools that will support the implementation of the principles over time.

The reinvigorated CCAF research program will also continue to identify opportunities to contribute to other public management and governance issues where it has expertise and can contribute timely research on a cost-effective basis. It is likely that contributions of written papers and other products will occur in areas such as performance measurement, performance budgeting or management capacity assessment.

Some early thoughts on Management Principles

- ◆ *Clear rules, linked to risk, and acceptable in cost*
- ◆ *Respecting the rules that exist*
- ◆ *A risk smart culture that acts on opportunity*
- ◆ *Eliminating unnecessary rules*
- ◆ *Ensuring that innovation is managed*
- ◆ *Eliminating barriers and creating incentives*

Other Projects of Note

CCAF is currently conducting a good practices study on VFM auditing in collaboration with the Quebec Auditor General's Office and a study of comptroller practices across Canada.

Adalsteinn (Steini) Brown
Assistant Deputy Minister
Health System Strategy Division
Government of Ontario

Frank Des Rosiers
Assistant Secretary
Priorities & Planning
Treasury Board of Canada
Secretariat

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

Errol S. Price, CA, CMC
Deputy Auditor General
Office of the Auditor General of
British Columbia

Charles-Antoine St-Jean, FCA
Partner
Ernst & Young

CCAF REPRESENTATIVE
Lee McCormack
Director of Research

STRENGTHENING PUBLIC ACCOUNTS COMMITTEES

CCAF continues to make presentations to public accounts committees (PACs) on how to maximize their effectiveness. We draw upon the following resources in our presentations:

- ◆ CCAF's Guide to strengthening PACs in Canada, published in 2006
- ◆ CCAF's strategy to maximize the effectiveness of PACs, presented at the John J. Kelly Session of the joint conference of the Canadian Council of Legislative Auditors and the Canadian Council of Public Accounts Committees in 2006
- ◆ CCAF vision for the PAC of the Future, presented at the John J. Kelly Session in 2007.

We continue to offer to conduct orientations to PACs following general legislative elections, given that the turnover of committee members is very high. Over fiscal year 2007-2008, presentations were made before the PACs in British Columbia, Alberta, Manitoba and Quebec. In several of those jurisdictions, the presentation was the launching point for ongoing discussions about how to improve the operations of the PAC.

CCAF, the World Bank Institute and KPMG are currently conducting a survey of PACs in Canada. The questionnaire is intended to capture details on processes and working practices. The survey focuses not only on committee powers, but also on actual committee practices. Preliminary findings will be presented at the John J. Kelly Session in September 2008. A study on the role of PACs in issuing recommendations and following up will also be presented, as will a study on legislative committee use of performance reports in Canada.

The survey will replicate a similar one that was prepared by La Trobe University and KPMG for Public Accounts Committees in Australasia. Other regions of the world will be surveyed in future years, allowing for an interesting cross-fertilization and sharing of experience.

PROGRAM FOR IMPROVED PUBLIC PERFORMANCE REPORTING

At least half of Canada's legislative auditors play a substantive role in the annual performance reporting cycle. CCAF possesses in-depth knowledge about performance reporting because of our research in this area over a number of years.



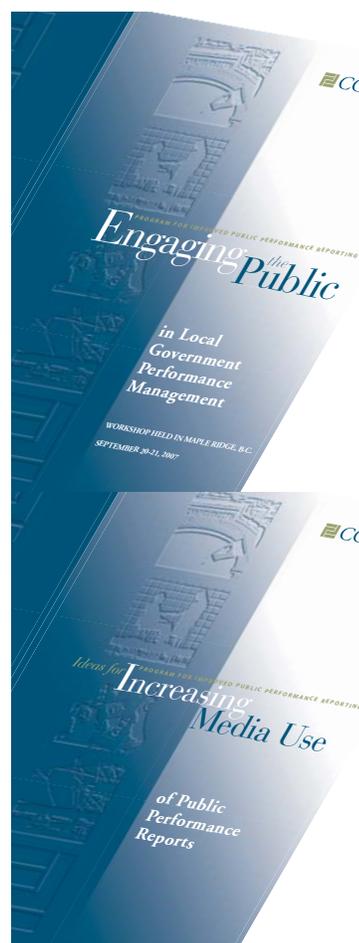
In 2006 CCAF launched a three-year program to realign performance reports with the needs of user groups (the public, legislators, non-governmental organizations and the media). Under the *Program for Improved Public Performance Reporting*, CCAF has been working primarily with central agencies and legislative auditors to look at how to make performance reports more readable and more useable for user groups. Initiatives to date include the following:

- ◆ CCAF has launched a new Public Performance Reporting website (<http://www.performancereporting.ca/>) containing a substantial and growing amount of information about performance reporting in Canada.
- ◆ CCAF recently released a report on good performance reporting practices. *What can we learn from effective public performance reporting: Good Practices for central agencies, legislators, auditors, and report producers* contains numerous practical ideas for enhancing performance reporting. To identify the practices, we surveyed officials in eight jurisdictions, in Canada and



abroad; looked at reporting policies and legislation from various jurisdictions; and examined award-winning performance reports. We partnered with the B.C. Ministry of Finance for this project.

- ◆ CCAF facilitated a workshop in September, 2007 in Maple Ridge, British Columbia on how municipalities can use PPRs to their meet their unique governance and accountability needs. The session brought together municipal politicians, administrators, staff, and private sector experts. A follow-up initiative to hold focus groups with BC municipalities on performance reporting is in the works.
- ◆ CCAF has held focus groups in tandem with the Government of Alberta to facilitate direct dialogue with users of public performance reports. A report on the sessions will make the insights gained at the focus groups available to a larger audience.
- ◆ CCAF has released its study entitled, *Ideas for increasing media use of Public Performance Reports*. For this project, we interviewed six journalists and journalism educators in Ottawa, and three public service communications professionals. The results, 18 specific measures, can be divided into two broad categories: ideas to make public performance reports more usable by reporters; and ideas to help the media see the value of public performance reports.



CCAF is convening a Symposium for legislative auditors, public accounts committee chairs and vice-chairs, central agency senior executives, and other senior public performance reporting (PPR) experts from the four provinces in Western Canada. This Symposium will:

- ◆ Take stock of recent advances in PPR in Western Canada, including such leading edge practices as citizen engagement and e-reporting.
- ◆ Initiate a dialogue on the principles needed for a “Performance Report of the Future.”
- ◆ Identify the concrete steps needed in developing a roadmap towards the “Performance Report of the Future.”

PERFORMANCE REPORTING TASK FORCE

Carol Bellringer, FCA, MBA
Auditor General of Manitoba

Barbara Cohn-Berman, BA, MA
Vice-President and Director
Center on Municipal Government
Performance

John Doyle, MBA, CA
Auditor General of British
Columbia

Rob Fleming, BA
Chair, Public Accounts Committee
of British Columbia

Katherine Graham, BA, MA
Dean of the Faculty of Public Affairs
and Management
Carleton University

John Herhalt, CA, CISA
Partner, Global Chair,
Infrastructure, Government
and Health Line of Business
and Canadian National, Industry
Leader, Public Sector
KPMG LLP

Barry Leighton, Ph.D.
Principal, Office of the Auditor
General of Canada

Doug Lynkowski, CA
Controller, Office of the Controller
of Alberta

Graham Steele, BA, LLB
MLA for Halifax Fairview
Legislative Assembly of Nova Scotia

Chris Waddell, Ph.D.
Associate Director & Associate
Professor, Business and Financial
Journalism, School of Journalism
and Communication
Carleton University

CCAF REPRESENTATIVE
Geoff Dubrow, BA, MA, MPA
Director of Capacity Development

GOVERNMENT INTERNAL AUDITORS COUNCIL OF CANADA

CCAF and the Ontario Management Board Secretariat/Ministry of Finance sponsored the first meeting of the heads of internal audit in 2003. The group has met annually since then; in 2005, it adopted the name *Government Internal Auditors Council of Canada (GIACC)*. Discussion at the meetings focuses on strategic and operational issues affecting the effectiveness of the internal audit function. It also provides a valuable networking opportunity for the member representatives to discuss their respective jurisdictional challenges and have valuable exchanges on how their counterparts have tackled some similar issues.

The Executive Director of The Institute of Internal Auditors-Canada has also been extended ex-officio membership on GIACC. The two organizations will share agendas and the dates of meetings.

The 2008 GIACC forum will take place in Ottawa in October. The *Update* from the 2007 session can be accessed at http://www.ccaf-fcvi.com/english/updates/IA_Forum2007.html



GOVERNMENT INTERNAL AUDITORS COUNCIL OF CANADA

Ted Doane, Executive Director, Internal Audit Department
Department of Finance, Nova Scotia

Michael Eastman, Executive Director
CCAF-FCVI

Ken Gabora, Director, Internal Audit
Ministry of Finance, Saskatchewan

Pierre Gagné, Chair of the Quebec Forum des responsables de la vérification interne, & Director of Internal Audit and Inquiries, Revenu Québec

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

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

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

Richard Kennedy, Chief Internal Auditor and Assistant Deputy Minister
Office of the Chief Internal Auditor, Government of Ontario

Stuart Newton, Executive Director, Audit and Technical Services, Internal Audit and Advisory Services
Ministry of Finance, British Columbia

Bob Shahi, 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, Assistant Comptroller General, Internal Audit
Office of the Comptroller General, Treasury Board of Canada, Secretariat

Grace Wilk, Director, Internal Audit Services Branch
Department of Finance, Nunavut

Heather Zomar, Chief Internal Auditor
Government of Alberta

EX-OFFICIO

Luc Lavoie, Executive Director
The Institute of Internal Auditors – Canada

COUNCIL SECRETARY

Nicole Wieczorek, Director of Training and Chief Financial Officer
CCAF-FCVI

AUDIT TRAINING

In 2006, the Canadian Council of Legislative Auditors (CCOLA) asked CCAF to develop a high quality, professional training program for public sector auditors, beginning with a course on the *Fundamentals of Performance (VFM) Audit*. This marked CCAF's re-entry into the business of audit training.

CCAF has since developed a Level 2 Performance (VFM) Audit course, and collaborated with the private sector firm KPMG to develop and deliver an *Annual Update Session on Accounting and Auditing Standards in the Public Sector*. Legislative audit offices across Canada have given us access to their course materials for use in developing our courses. They have also made available some of their key personnel to provide us with advice and guidance during the course development process.

Our action plan has been to:

- ◆ Develop and pilot a new course each year based upon consultations with CCOLA's working group
- ◆ Offer the course initially to CCOLA members
- ◆ Expand the reach to the internal audit and international communities
- ◆ Offer additional sessions/workshops (e.g. *Annual Update on Accounting and Auditing Standards in the Public Sector* and *Understanding Audit*) developed in conjunction with private sector accounting firms.

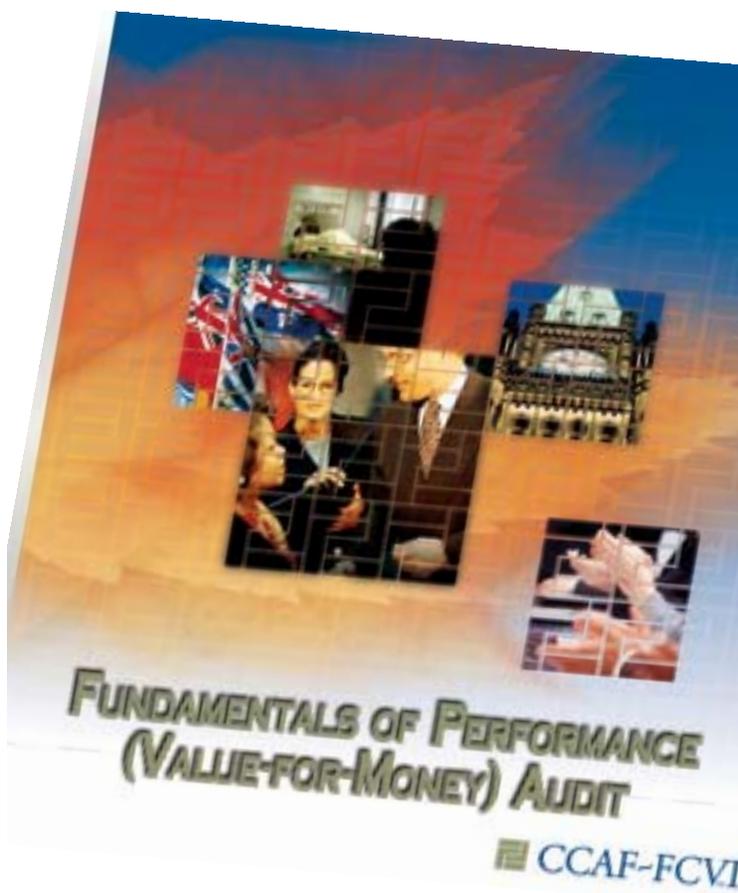
FUNDAMENTALS OF PERFORMANCE (VALUE-FOR-MONEY) AUDIT

Based on the feedback received from the pilot offerings held in 2006-2007, CCAF worked with instructors and course development contacts to finalize the Fundamentals course and related materials. The following course offerings were then delivered:

- ◆ Toronto, September 24-28, 2007
- ◆ Edmonton, October 15-19, 2007
- ◆ Victoria, October 22-26, 2007
- ◆ Québec, November 5-9, 2007
- ◆ Edmonton (IA), December 10-14, 2007
- ◆ Newfoundland, February 11-15, 2008
- ◆ Halifax, March 17 - 20, 2008.

Both the formal ratings and the informal verbal and written comments we have received from participants and co-instructors alike, indicate that the course has been well received by the community. During the summer of 2008, we will update the course based on advice received from participants to ensure we maintain our level of quality for future offerings.

We have trained a number of CCAF Associates as primary instructors to meet the demand for this course. We will continue to ask the host office to provide a co-instructor to bring local practical experience to course participants.



PERFORMANCE (VALUE-FOR-MONEY) AUDIT – LEVEL II

With input from an advisory group, we completed development of this three-day course in February 2008. The course is intended for the auditor with approximately three years experience in performance audit-type work, or as an opportunity for the more seasoned auditor to refresh skills. The modules will be as follows:

- ◆ Risk Assessment and Audit Selection
- ◆ Relationship Management and Communications
- ◆ Audit Planning
- ◆ Consultation and Expert Advice
- ◆ Audit Management
- ◆ Evaluating Audit Evidence
- ◆ Quality Management and Review.

The first pilot took place in Edmonton March 18-20, 2008, the second April 30-May 2 in Toronto, and the third will be held in Newfoundland July 15-18, 2008. Regular offerings of the course will begin Fall 2008.

ANNUAL UPDATE ON ACCOUNTING AND AUDITING STANDARDS IN THE PUBLIC SECTOR

CCOLA members indicated that an annual update on changes to accounting and auditing standards in the public sector would be a valuable part of our audit training program, given the upcoming convergence to international standards. CCAF asked accounting firm KPMG to develop and deliver the update sessions.

KPMG Partner and CCAF Governor John Herhalt took the lead in moving this project forward, with assistance from his KPMG colleagues across Canada. The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants provided guidance to KPMG and to the advisory group that assisted with the development of the session.

KPMG delivered 16 sessions of the Update in late 2007 and early 2008, with about 450 people participating.

CCAF's role has been to facilitate the development process (through advisory groups), manage administrative arrangements for offerings, update and preparation of material and other logistical arrangements including liaison between instructors and training recipients.



This initiative has been very well received and supported by the CCOLA community and by CICA and PSAB. We have also received positive feedback from KPMG on the quality of the experience of the partners involved in delivering the offerings across Canada. CCOLA has asked KPMG to continue leading these sessions. We believe the introduction of international standards will make such sessions increasingly important.

We now plan to review the course evaluations and the comments received through the evaluation process, and undertake a review of lessons learned with KPMG and select clients. We will make any necessary adjustments to ensure the Update is ready for the period starting in the fall of 2008.

SEMINAR FOR PUBLIC SECTOR MANAGERS

CCAF is developing a half-day seminar entitled “Understanding Public Sector Audits”, intended to give public sector managers a comprehensive overview of the audit process.

The objective of the course will be to ensure that those responsible for or associated with an audit by either the legislative auditor or internal audit have a good understanding of the work being undertaken. Topics could include, for example, the differences between internal and external auditing, how an auditor collects evidence to support findings, audit scope, etc.

We intend to undertake this seminar in partnership with one or two of our Institutional Members.

ORIENTATION TO PERFORMANCE MEASUREMENT AND REPORTING

In the spring of 2008, CCAF is planning to offer a one-and-a-half day *Orientation to Performance Measurement and Reporting* course in a number of cities across Canada. The workshop will address such topics as the purpose of performance measurement, types of performance measures, the characteristics of good performance reporting, and challenges to good reporting. Participants will examine case studies and carry out exercises to help them put what they learn into practice.

These workshops are based upon a previous series of workshops given by Marianne Farag, Principal, Strategic Initiatives, Office of the Auditor General of Manitoba.

Carol Bellringer, Auditor General of Manitoba has graciously agreed to allow Marianne to develop and lead this course, with assistance from Chris Hyde, Research Associate, CCAF.

François Boisclair
Director, VFM Consulting Services
Auditor General of Québec

Diane Charron
Director, Audit Operations, Office
of the Auditor General of Canada

Sandra Cohen
Director, Value-for-Money Audits
Office of the Auditor General of
Manitoba

Yves Denis
Management Audit Specialist
Auditor General of Québec

Norma Glendinning
Director, Performance Audit, Office
of the Auditor General of British
Columbia

Brigitte Harris
Manager, Training and Professional
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Jane MacAdam
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Auditor General of Prince Edward
Island

Vince Mazzone
Director, Office of the Auditor
General of Ontario

Bill Rafuse
Rafuse Consulting & CCAF
Associate, Halifax, Nova Scotia

Norm Ricard
Executive Director, Strategic
Initiatives, Office of the Auditor
General of Manitoba

Terry Spicer
Assistant Auditor General, Office of
the Auditor General of Nova Scotia

Michael Stratford
Audit Principal, Office of the
Auditor General of Alberta

CCAF REPRESENTATIVE
Nicole Wiczorek
Director of Training & Chief
Financial Officer

INTERNATIONAL LEGISLATIVE AUDIT ASSISTANCE PROGRAM FOR IMPROVED GOVERNANCE AND ACCOUNTABILITY

CIDA and CCAF signed a new five-year agreement for the International Legislative Audit Assistance Program for Improved Governance and Accountability in July 2007.

CCAF's International Program now has several major strands of international activity feeding into a comprehensive approach to sharing Canadian knowledge on audit methodologies and reporting processes with individuals (Fellows) and institutions (Supreme Audit Institutions, Public Accounts Committees, Parliamentarians, government departments).

The program is composed of four major components:

- ◆ An improved comprehensive *Country/Supreme Audit Institution (SAI) and Individual Assessment and Recruitment Component*
- ◆ An *Evaluation Strategies and Missions Component* intended to ensure that the participating country/SAI achieves maximum benefit from its involvement in the program
- ◆ A ten-month *Fellowship Component*, focussing on training and professional development in Canada
- ◆ A supplementary *Capacity Development and Training Component* as well as a twinning component.

COUNTRY/SAI AND INDIVIDUAL ASSESSMENT AND RECRUITMENT COMPONENT

With the assistance of the Program's partners, CCAF implements the following process when undertaking an assessment and recruitment mission:

- ◆ Data and intelligence gathering pertaining to a prospective country/SAI from key sources and partners.
- ◆ Assessment and recruitment visits to a short list of countries involving meetings with personnel from CIDA and other donor agencies.
- ◆ Meetings and interviews with the Head of the SAI and the senior management team to discuss activities and priorities of the SAI.
- ◆ Interviews with individual candidates (proposed by the head of the SAI) for participation in the Fellowship component and an "exit" meeting with the Head of the SAI for the purpose of reviewing each candidate's suitability.

Recommendations are brought forward to CCAF's International Committee.

Thailand and Vietnam: February – March 2008

The visit to Thailand was for two reasons:

- 1) The new agreement with CIDA permits one participant from Thailand to participate in the Fellowship component during this five-year term. This is in support of a continued partnership with the Office of the Auditor General of Thailand to further increase the critical mass required to implement an effective Environmental Auditing unit.
- 2) The delegation discussed the organization and delivery of a Regional Environmental Auditing workshop.

The visit to Vietnam was to assess the SAI and interview candidates to be placed in Alberta every second year.

South Africa and Tanzania: April – May 2008

Part of CCAF's response to the 2006 Evaluation is to better co-ordinate with other donors the delivery of Capacity Development activities in a partner developing country. Prior to traveling to Tanzania CCAF, as



part of its data and intelligence gathering activity, met with AFROSAI-E in Pretoria to share knowledge on activities delivered or planned for the National Audit Office of Tanzania.

EVALUATION STRATEGIES AND MISSIONS COMPONENT

This component consists of activities and tools to receive and analyze information on and to evaluate progress of SAI objectives in capacity building and development in areas associated with performance / VFM auditing – and improvements in its effectiveness to promote good governance and accountability.

FELLOWSHIP COMPONENT

In August 2007, CCAF was very pleased to receive Averil James of Saint Lucia, Audrey Badley of Guyana, Henry Missah and Yaw Sifah of Ghana, Benson Kariuki of Kenya, Aly Diallo of Mali and Alain Kpessoton of Benin. The Fellows joined audit teams with either the Office of the Auditor General of Canada or the Vérificateur général du Québec.

The CCAF International Program model equips the participants with the capacity to plan, execute and report on audit projects associated with performance / VFM audit, based on predetermined priorities and objectives identified in the assessment and recruitment process.

The participants' time is spent on a working assignment as part of an audit team on a project related to the identified area of priority, at a host Canadian legislative audit institution (OAG Canada and Vérificateur général du Québec).

In addition, each participant undertakes to develop a "Special Project – Strategy Paper" related to a priority need of the home SAI. This project, pre-approved by the home organization, is to be implemented within two years of a graduated Fellow's return home.

Since 1980, CCAF has trained 186 senior auditors from 50 countries. Many have gone on to senior positions within their organizations. Fellows from Kenya, Senegal, Bhutan, Guyana, Thailand, Nepal and Sri Lanka have been or are currently head of the Supreme Audit Institutions in their countries.

The Office of the Auditor General of Alberta has agreed to provide spaces for two international Fellows in 2008-2009 – the first expansion of this program to a new jurisdiction in many years. Two Fellows from Vietnam will join the Office after they complete orientation activities and the Accountability, Governance and Performance Reporting course in Ottawa.

CAPACITY DEVELOPMENT AND TRAINING COMPONENT

This component targets graduate Fellows and their home organizations through specific training and capacity development initiatives to assist them to make the best possible use of the knowledge and skills acquired during their Fellowships.

There are four parts to the Capacity Development and Training component.

- 1) **Post-Graduate Support:** Training / symposia / workshops targeting graduates and their SAIs. These deal with advanced developments and techniques in areas associated



Audrey Badley, Audit Manager, Audit Office of Guyana



Aly Diallo, Auditor, Bureau du Vérificateur Général du Mali



Averil James, Deputy Director for Planning and Administration, Office of the Director of Audit of Saint Lucia



Benson Kariuki, Assistant Director of Audit, Kenya National Audit Office



Alain Kpessoton, Auditor, Chambres des Comptes de la Court Suprême du Bénin



Henry Kwadjo Missah, Assistant Director of Audit, Ghana Audit Service



Yaw Adjei Sifah, Director of the Performance Audit Department, Ghana Audit Service



with performance / VFM auditing, i.e. forensic auditing, environmental auditing, wrongdoing / corruption / fraud detection, etc.

Costa Rica: May 2007

CCAF presented a symposium on Forensic Audit and Wrongdoing, Fraud, Corruption to participants from seven countries in the Americas.

- 2) **Institutional Support:** “Good Governance” awareness, training, symposia / workshops for institutions linked to the SAI, such as central agencies and key government ministries.

Benin: June 2007

This symposium on Public Sector Governance, Accountability and Public Performance Reporting aimed to strengthen the working relationships between Benin’s public sector institutions and the country’s SAI.

- 3) **Parliamentary/Oversight Support:** Focuses on awareness and capacity building initiatives in institutions that have a direct relationship with an SAI, such as central agencies (e.g. Ministry of Finance, Treasury Board Secretariat) and oversight/legislative bodies (e.g. public accounts committee).

Tanzania: May 2007 and Ghana: June 2007

CCAF led workshops aimed at strengthening parliamentary oversight and improving cooperation between national audit offices and parliamentary oversight committees. In both countries, the program included a two-day workshop with national audit office staff, a one-day workshop with PAC members (and in Tanzania, Local Authority Accounts Committee members), and a one-day workshop bringing both audit office staff and committee members together.

Saint Lucia and Guyana: March 2008

- ◆ Saint Lucia PAC Workshop: March 3
- ◆ Saint Lucia VFM Workshop: March 4-5
- ◆ Guyana PAC Workshop: March 7

Bangladesh: May 2008

On May 12 and 13, 2008, CCAF conducted training workshops for the PAC and Office of the Auditor General of Bangladesh, with funding from the World Bank Institute.

- 4) **Institutional Collaboration - Technical Support and Mentoring – ‘Twinning’:** In an innovative new element of the program, CCAF identifies a Canadian legislative audit institution to act as an ad hoc mentor institution to a participating SAI to provide guidance and expertise on some of its major issues (e.g. strategic planning, organizational / structural issues, human resources planning and utilization, etc.), as required.

The International Program received visitors and delegations from Cameroon, Costa Rica, Cuba, Senegal, Tanzania and Trinidad. CCAF delivered presentations on its organization and resources, the International Program and Capacity Development being delivered internationally.



Making A Difference

CHAIR

Nick Hare, B.A, B.SS
Former Canadian Ambassador

François Boisclair, CA
Director, VFM Consulting Services
Auditor General of Québec

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

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

Adriel Gionet
Director, International Relations
Office of the Auditor general of
Canada

Marc Meloche
Senior Policy Advisor to the
Assistant Deputy Minister of
Northern Affairs
Department of Indian and Northern
Affairs

**REPRESENTATIVE FROM THE
OFFICE FOR DEMOCRATIC
GOVERNANCE**

DiAnne Masson Yensen
International Development Program
Manager
Canadian International
Development Agency (CIDA)

EX-OFFICIO

Michael Eastman, FCMA
Executive Director
CCAF-FCVI

COMMITTEE SECRETARY

Caroline Jorgensen
Senior Manager, International
Programs
CCAF-FCVI

HOW WE STRENGTHEN COMMUNICATION WITH OUR MEMBERS

CCAF has adopted a number of measures to strengthen communication with the Foundation's members.

- ◆ Through the Institutional Members Briefing Program, every one of CCAF's institutional members receives a visit from a CCAF senior staff member at least once a year. CCAF's participation in the annual meetings of CCOLA, CCPAC and the Comptrollers Community provides additional valuable opportunities to interact with key members.
- ◆ CCAF staff participate frequently in conferences involving the governance, management and audit communities in order to share CCAF's knowledge and meet members in their own environment.
- ◆ Through its website, CCAF aims to be a solid source of information for the public sector governance, management and audit communities in Canada. Members receive e-mails alerting them to news of appointments, exclusive articles on important topics by senior members of the community, and reports from events in which CCAF has participated.
- ◆ CCAF's Report to Members provides an annual overview of the state of the Foundation.

CCAF has introduced a new website to support our *Program to Improve Public Performance Reporting*, and is upgrading our International Program website. Work has begun on a major overhaul of our main website.



CCAF's 2007-2008 Annual Report

Membership Interaction and Communications

**CCAF's INSTITUTIONAL MEMBERS & FUNDING PARTNERS
(AS AT MARCH 31, 2008)**



ALBERTA
OFFICE OF THE AUDITOR GENERAL



NEWFOUNDLAND
OFFICE OF THE AUDITOR GENERAL

THE ALFRED P. SLOAN FOUNDATION



GOVERNMENT OF THE NORTHWEST
TERRITORIES



BRITISH COLUMBIA
OFFICE OF THE AUDITOR GENERAL



NOVA SCOTIA
OFFICE OF THE AUDITOR GENERAL



CANADA
OFFICE OF THE AUDITOR GENERAL



GOVERNMENT OF NUNAVUT



CANADIAN INSTITUTE OF CHARTERED
ACCOUNTANTS (CICA)



ONTARIO
MINISTRY OF FINANCE



CANADIAN INTERNATIONAL DEVELOPMENT
AGENCY (CIDA)



ONTARIO
OFFICE OF THE AUDITOR GENERAL



ERNST & YOUNG



PRINCE EDWARD ISLAND
OFFICE OF THE AUDITOR GENERAL



KPMG CANADA



QUÉBEC
VÉRIFICATEUR GÉNÉRAL DU QUÉBEC



LCBO – INTERNAL AUDIT SERVICES



QUÉBEC
SECRÉTARIAT DU CONSEIL DU TRÉSOR



MANITOBA
OFFICE OF THE AUDITOR GENERAL



SASKATCHEWAN
OFFICE OF THE PROVINCIAL AUDITOR



NEW BRUNSWICK
OFFICE OF THE AUDITOR GENERAL



TREASURY BOARD OF CANADA / OFFICE OF
THE COMPTROLLER GENERAL

FINANCE AND ADMINISTRATION

CCAF's financial situation is stable as a result of a combination of measures, including:

- ◆ The substantial increase in funding from CIDA
- ◆ The Sloan Foundation grant for public performance reporting initiatives
- ◆ Funding from individual institutional members for specific research projects
- ◆ Cost reduction (especially the 2005 move of CCAF's offices to less costly quarters).

Funding from individual institutional members for specific projects represents a new model for CCAF. Such funding is only accepted if it allows the Foundation to advance its vision and if the research results provide benefits to the broader membership and generally can be released to the broader membership.

CCAF is also benefiting from the contributions of time and knowledge provided by individuals sitting on our advisory groups as noted in this report and by such members for example as KPMG, who develop and deliver the *Annual Update on Accounting and Auditing Standards in the Public*. Although these type of contributions are not reflected on CCAF's financial statements, they provide very real extensions to our capacity as an organization.

Our ability to attract such in-kind contributions and increased special project funding is becoming increasingly important as we move forward with a variety of projects.

STAFFING AND HUMAN RESOURCE MANAGEMENT

The labour market in Ottawa is highly competitive for the kinds of staff CCAF needs to carry out its work. We try to offer our staff interesting work and a pleasant and stimulating working environment.

To extend our staff's capacities, we have made increasing use of associates, particularly for our training activities. This gives us access to specialist expertise on an as-needed basis. We have been particularly pleased that members of the Board have been willing to serve as associates for some initiatives.

Nevertheless, CCAF needs talented individuals on staff, particularly to carry out research. Attracting and retaining such individuals will remain a challenge.

We need to be able to bring in capable people for one to two years to play lead roles in our research and capacity development activities. We are considering offering secondments to people from member organizations (e.g. provincial or federal governments, audit offices, accounting firms). The secondees would have the opportunity to work on interesting issues, meet our contacts across the country (PAC members, senior audit and government executives, etc.), and participate with CCAF in the development and sharing of knowledge. They would return to their home organizations with expanded networks of potential partners or clients, broader perspectives on the issues, and enhanced research and organizational skills. Ideally these individuals would be funded entirely or partially by their home organizations.



Top Row: Geoff, Caroline, Michael **Middle Row:** Chris, Lynne, Greta, Lee
Bottom Row: Carine, Nicole, James (Student-Research Assistant), Anurag
Missing: Veronica

CURRENT CCAF SECRETARIAT

Michael P. Eastman, FCMA
Executive Director

Lynne Casiple-Lueck
Computer Specialist / Webmistress

Geoff Dubrow, BA, MA, MPA
Director, Capacity Development

Caroline (Greta) Greenwood
Administrative Assistant,
International Programs

Chris Hyde
Research Associate, Capacity
Development – Public Performance
Reporting

Caroline Jorgensen
Senior Manager, International
Programs

Lee McCormack
Director of Research

Veronica Moore
Finance and Administrative
Coordinator

Anurag Sinha
Research Assistant, Capacity
Development – Public Accounts
Committees

Carine Turay
Training and Administrative
Coordinator

Nicole Wiczorek
Director of Training and CFO &
Secretary, Government Internal
Audit Council of Canada (GIACC)

FINANCIAL STATEMENTS

For

CCAF-FCVI INC.

For year ended

MARCH 31, 2008

AUDITORS' REPORT

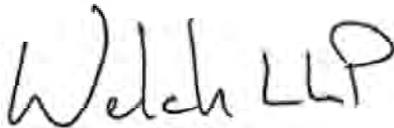
To the members of

CCAF-FCVI INC.

We have audited the statement of financial position of the CCAF-FCVI Inc. as at March 31, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
May 13, 2008.

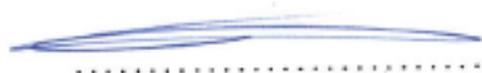
CCAF-FCVI INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 139,359	\$ 318,011
Accounts receivable	161,363	95,063
Prepaid expenses	14,532	14,277
Guaranteed investment certificate - 3.0%, redeemable - matures June 2008	<u>700,000</u>	<u>600,000</u>
	1,015,254	1,027,351
EQUIPMENT AND LEASEHOLD IMPROVEMENTS - note 6	<u>10,477</u>	<u>8,703</u>
	<u>\$ 1,025,731</u>	<u>\$ 1,036,054</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 350,633	\$ 269,226
Deferred revenue - note 7	46,732	32,513
Unexpended International program funds - note 8	28,058	379,025
Unexpended Public Performance Reporting program funds - note 9	<u>195,234</u>	<u>155,556</u>
	<u>620,657</u>	<u>836,320</u>
NET ASSETS	<u>405,074</u>	<u>199,734</u>
	<u>\$ 1,025,731</u>	<u>\$ 1,036,054</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, 2008

	<u>2008</u>	<u>2007</u>
REVENUE		
Membership fees and contributions	\$ 1,048,856	\$ 1,057,708
Research contributions	54,172	41,043
Net revenue from publications and training courses - note 10	89,728	15,778
Interest and other	<u>43,541</u>	<u>27,874</u>
	<u>1,236,297</u>	<u>1,142,403</u>
PROGRAM EXPENSES		
Research and capacity development	449,367	498,746
Stakeholders engagement and communications	194,628	192,993
Training	<u>178,457</u>	<u>130,115</u>
	<u>822,452</u>	<u>821,854</u>
GENERAL EXPENSES		
Corporate and support services	133,082	130,011
Overhead and operating	154,819	129,328
Amortization	9,150	9,838
Recovery of overhead - note 8	<u>(88,546)</u>	<u>(17,500)</u>
	<u>208,505</u>	<u>251,677</u>
	<u>1,030,957</u>	<u>1,073,531</u>
NET REVENUE	205,340	68,872
NET ASSETS AT BEGINNING OF YEAR	<u>199,734</u>	<u>130,862</u>
NET ASSETS AT END OF YEAR	<u>\$ 405,074</u>	<u>\$ 199,734</u>

(See accompanying notes)

CCAF-FCVI INC.
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
CASH PROVIDED BY (USED IN)		
Operating activities		
Net revenue	\$ 205,340	\$ 68,872
Items not requiring a current outlay of cash:		
Amortization	<u>9,150</u>	<u>9,838</u>
	214,490	78,710
Changes in assets and liabilities:		
Increase in accounts receivable	(66,300)	(41,889)
Decrease in prepaid expenses	(255)	10,388
Increase in accounts payable and accrued liabilities	81,407	109,368
Increase in deferred revenue	<u>14,219</u>	<u>16,116</u>
Net cash provided by operating activities	<u>243,561</u>	<u>172,693</u>
Investing activities		
Purchase of equipment	(10,924)	(13,053)
Purchase of guaranteed investment certificate - net	<u>(100,000)</u>	<u>(600,000)</u>
Net cash used in investing activities	<u>(110,924)</u>	<u>(613,053)</u>
Financing activities		
International program funds advanced (expended) - net	(350,967)	351,378
Public Performance Reporting program funds advanced (expended) - net	<u>39,678</u>	<u>155,556</u>
	<u>(311,289)</u>	<u>506,934</u>
NET CASH FLOWS	(178,652)	66,574
CASH, BEGINNING OF YEAR	<u>318,011</u>	<u>251,437</u>
CASH, END OF YEAR	<u>\$ 139,359</u>	<u>\$ 318,011</u>

(See accompanying notes)

CCAF-FCVI INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008

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. SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Significant Accounting Policies

a) *Membership fees, training revenues, publication revenues and contributions*

Membership fees, training revenues and publication revenues 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 publications are generally set such that only direct costs are recovered. All costs related to development of the publications are expensed in the year incurred. Development costs related to courses are expensed as incurred unless recovery of those costs is certain at the time of development.

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.

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2008

2. **SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS** - Cont'd.

Significant Accounting Policies - Cont'd.

e) *Investments*

Effective April 1, 2007, the Foundation has classified its investments as held for trading and has recorded them at fair value. Term deposits are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments. The purchase and sale of investments are accounted for using settlement date accounting. Transaction costs associated with the acquisition of investments, if any, are included in the cost of the investment. Investment management fees are expensed as incurred.

f) *Contributions in kind*

Contributors provide a significant amount of time and absorb costs related to certain activities of the Foundation. Because of the difficulty in determining their fair value and completeness, contributions in kind are not recorded in the financial statements.

Other Matters

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.

3. **CHANGE IN ACCOUNTING POLICY**

Effective April 1, 2007 the Foundation adopted The Canadian Institute of Chartered Accountants Handbook (CICA) Sections 3855 and 3861. Section 3855 (Financial Instruments - Recognition and Measurement) addresses when financial instruments should be recognized and how they should be measured. Section 3861 (Financial Instruments - Disclosure and Presentation) provides standards on how financial instruments should be presented and disclosed in the financial statements. Since the Foundation invests only in term deposits and guaranteed investment certificates where the carrying value equals the fair value, the adoption of these new standards did not significantly affect the Foundation's financial statements. These recommendations have been applied prospectively in accordance with the transitional provisions reflected in the Handbook.

4. **NEW ACCOUNTING STANDARDS**

On December 1, 2006, the CICA issued two new accounting standards, Handbook Section 3862 (Financial Instruments - Disclosures) and Handbook Section 3863 (Financial Instruments - Presentation). These new standards are effective for the Foundation's annual financial statements for the year ended March 31, 2009. The new Sections replace Handbook Section 3861 (Financial Instruments - Disclosure and Presentation), revising and enhancing its disclosure requirements, and carrying forward unchanged its financial presentation requirements. The Foundation is currently assessing the impact of these new accounting standards on its financial statements.

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2008

5. **FINANCIAL INSTRUMENTS**

The Foundation's financial instruments consist of cash, guaranteed investment certificate, accounts receivable, accounts payable and accrued liabilities as well as International and Public Performance Reporting 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.

6. **EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

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

	<u>2008</u>	<u>2007</u>
Furniture, office equipment and leasehold improvements	\$ 114,505	\$ 103,581
Accumulated amortization	<u>104,028</u>	<u>94,878</u>
	<u>\$ 10,477</u>	<u>\$ 8,703</u>

The Foundation increased their capitalization limit from \$1,000 to \$2,500 effective for the 2008 fiscal year. This change, had it been in effect in prior years, would not have resulted in any significant effect to the results of the Foundation's operations.

7. **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, 2007	\$ 14,063	\$ 18,450	\$ 32,513
Recognized as revenue in the year	(14,063)	(18,450)	(32,513)
Received in year and applicable to subsequent periods	<u>21,675</u>	<u>25,057</u>	<u>46,732</u>
Balance, March 31, 2008	<u>\$ 21,675</u>	<u>\$ 25,057</u>	<u>\$ 46,732</u>

CCAF-FCVI INC.

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2008

8. INTERNATIONAL PROGRAM FUNDS

The Foundation coordinates a program designed to increase capacity in the area of performance/value-for-money/comprehensive auditing in the supreme audit institutions of participating 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, Québec and participating supreme audit institutions. The current contribution agreement with CIDA, which expires November 30, 2012, provides for funding to the end of the contract of up to \$6,943,000. CIDA pays the direct costs associated with this program and makes a contribution to the Foundation's general overhead.

Recovery of overhead has been reduced by an estimated charge based on CIDA's review of the prior five year contract ending in fiscal 2008. The total potential charge, based on that review, is approximately \$43,000 and any difference between the amount accrued and the settlement amount will be charged to operations in the year of settlement.

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

	<u>2008</u>	<u>2007</u>
a) Revenues and expenses		
Program revenues	\$ <u>994,532</u>	\$ <u>369,678</u>
Program expenses	\$ <u>994,532</u>	\$ <u>369,678</u>
b) Flow of program funds		
Unexpended funds at beginning of year	\$ 379,025	\$ 27,647
Repayment to CIDA at expiry of previous agreement	<u>5,182</u>	<u>-</u>
	373,843	27,647
Advances received from CIDA	<u>648,747</u>	<u>721,056</u>
	1,022,590	748,703
Expenditures for year	<u>994,532</u>	<u>369,678</u>
Unexpended funds at end of year	\$ <u>28,058</u>	\$ <u>379,025</u>

9. PUBLIC PERFORMANCE REPORTING FUNDS

The Foundation is currently coordinating a program which involves pilot projects being performed in an effort to achieve a higher level of public performance reporting. The program costs are funded by the Alfred P. Sloan Foundation (APSF) and require a matching of contributions (either cash or in-kind) from various Canadian jurisdictions in order to receive the grant funding. The current contributions agreement with APSF, which expires June 30, 2009, provides for funding of \$150,000 USD annually. The financial activities of the program consist of the following:

	<u>2008</u>	<u>2007</u>
a) Revenues and expenses		
Program revenues	\$ <u>144,302</u>	\$ <u>53,044</u>
Program expenses	\$ <u>144,302</u>	\$ <u>53,044</u>
b) Flow of program funds		
Unexpended funds at the beginning of the year	\$ 155,556	\$ -
Advances received from APSF	158,490	169,500
Advances of cash received from Canadian jurisdictions	<u>25,490</u>	<u>39,100</u>
	339,536	208,600
Expenditures for the year	<u>144,302</u>	<u>53,044</u>
Unexpended funds at the end of the year	\$ <u>195,234</u>	\$ <u>155,556</u>

.../5

CCAF-FCVI INC.

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED MARCH 31, 2008

10. **NET REVENUE FROM PUBLICATIONS AND TRAINING COURSES**

Net revenue from the above activities consists of the following and includes only direct costs.

	2008			2007		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Publications	\$ 1,687	\$ 292	\$ 1,395	\$ 17,476	\$ 1,698	\$ 15,778
Training courses	<u>308,340</u>	<u>220,007</u>	<u>88,333</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 310,027</u>	<u>\$ 220,299</u>	<u>\$ 89,728</u>	<u>\$ 17,476</u>	<u>\$ 1,698</u>	<u>\$ 15,778</u>

11. **SALARIES AND BENEFITS**

The total amount of salaries and benefits was \$714,770 (2007 - \$718,451). Salaries are allocated to various operational areas as outlined in the following table.

	<u>2008</u>	<u>2007</u>
Research and capacity development	\$ 245,691	\$ 376,615
Training	138,387	44,980
International program	130,598	58,000
Stakeholder relations and communications	130,690	146,202
Non-program salary expense	69,404	92,654

12. **MEMBERSHIP FEES AND CONTRIBUTIONS**

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

13. **COMMITMENTS**

Lease

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

2009	\$ 76,562
2010	72,117

14. **COMPARATIVE FIGURES**

Comparative figures have been reclassified where necessary to conform to the presentation adopted for the current year.