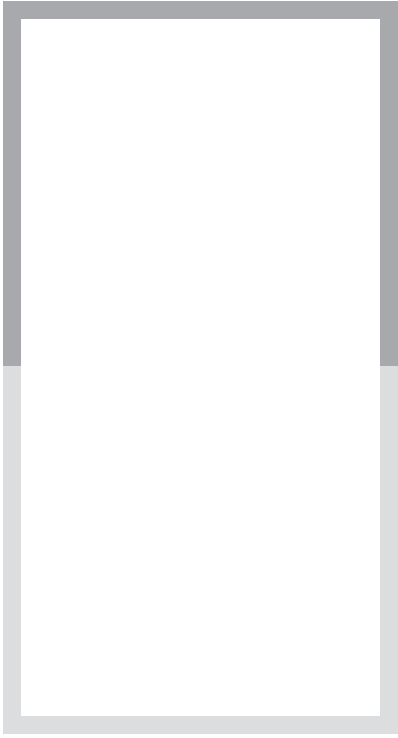




Report of the Auditor General of Canada
on the Board of Directors of
Canadian Commercial Corporation
in the 1990-91
Annual Report



Special examination reports

Special examinations are a form of performance audit that is conducted within Crown corporations. The Office of the Auditor General of Canada audits most, but not all, Crown corporations.

The scope of special examinations is set out in the Financial Administration Act. A special examination considers whether a Crown corporation's systems and practices provide reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

More details about the audit objective, scope, approach, and sources of criteria are in *About the Audit* at the end of this report.

Ce document est également publié en français.

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19 March 2019

To the Board of Directors of the Canadian Commercial Corporation:

Table of Contents

Introduction

Background

Focus on the future

Financial statements and sponsors

Corporate financial practices

Introduction

Background

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1 The Canadian Commercial Corporation is a federal Crown corporation that connects Canadian exporters to global government procurement markets and foreign government buyers. The Corporation reports to Parliament through the Minister of International Trade Diversification.

2 As the Government of Canada's international contracting agency, the Corporation facilitates government-to-government contracting. The Corporation also helps federal organizations procure goods and services so that the organizations can deliver their programs in other countries. The Corporation charges fees for its services with the exception of sales to the US Department of Defense under the Canada-US Defence Production Sharing Agreement.

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Historically, the Corporation's operations focused on aerospace, defence, security, and infrastructure. In recent years, the Corporation successfully secured a few large defence contracts that yielded enough revenue to fund operations. The Government of Canada gradually phased out its budget appropriation, with the final \$3.5 million appropriation received for the 2016–17 fiscal year (Exhibit 1). In its 2017–18 Statement of Priorities, the Minister of International Trade Diversification directed the Corporation to ensure that it remained fiscally sustainable.

Exhibit 1 Corporation's financial report, to , , i sca y ars
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Description	2016-17	2017-18	2018-19	2019-20
Income	1,000 /	1,000 /	1,000 /	1,000 /
Expenses	1,000 /	1,000 /	1,000 /	1,000 /
Net loss or profit	0	0	0	0
Government appropriation	3,500 /	0	0	0
Operating surplus	0	0	0	0

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The selected systems and practices and the criteria used to assess them are found in the exhibits throughout the report.

10 More details about the audit objective, scope, approach, and sources of criteria are in About the Audit at the end of this report (see pages 16–18).

Findings on operations and sponsor

Overall, we found no significant deficiencies in the Canadian Commercial Corporation's systems and practices.

11 Overall, we found no significant deficiencies in the Canadian Commercial Corporation's systems and practices. We found that the Corporation had well-managed systems and practices for both corporate management and operations; however, we noted areas that could be improved. These areas related to establishing systematic processes at the business unit level for planning operations and identifying risks. Furthermore, we found that the Corporation's due diligence processes for transactions did not adequately consider human rights issues.

Corporate governance practices

Overall, we found no significant deficiencies in the Corporation's corporate governance practices, but we noted areas for improvement.

Overall, we found no significant deficiencies in the Corporation's corporate governance practices.

12 We found that the Corporation had good corporate governance practices. However, we found that the Corporation did not formally document planning processes and that business units did not prepare operational plans in the same way. We also found that business units did not identify and assess risks systematically.

1 Our analysis supporting this finding discusses the following topics:

- Corporate governance
- Strategic planning
- Corporate risk management

Context

1 The Corporation is governed by a Board of Directors, which consists of the Chairperson and nine directors. The Governor in Council appoints the Chairperson, while the Minister of International Trade Diversification

Governor in Council—The Governor General, acting on the advice of Cabinet, as the formal executive body that gives legal effect to those decisions of Cabinet that are to have the force of law.

appoints the nine directors with the approval of the Governor in Council. The Governor in Council also appoints the Corporation's President and Chief Executive Officer. At the start of the period covered by the audit, all nine director positions had expired. By the end of the period, the Minister had appointed six directors, including three who were reappointed to their positions.

Corporation

1 Our recommendations in this area of examination appear at paragraphs 21, 22, and 26.

Corporation of Finance

6 Analysis. We found that the Corporation had good practices in corporate governance (Exhibit 2).

Exhibit Corporation of Finance, Financial Statement

Statement	Criteria	Key Findings	Assessment Criteria
Board Composition	Board Composition	Corporation's Board of Governors Financial Control Committee Requestors to the Board Constitution of the Board Board's Role	
Board Structure	Board Structure	Board's Structure Corporation's Structure Board's Structure Board's Structure Board's Structure	
<p>Assessment Criteria</p> <p> Fully Compliant</p> <p> Partially Compliant</p> <p> Does Not Comply</p>			

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1 Analysis. The Corporation had good practices in performance measurement, monitoring, and reporting. However, it had several weaknesses in its strategic planning processes (Exhibit 3).

Ex i b i t t r a f i c p a n n i n c , y i n i n s a n a s s s , n t

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Exhibit 1: Strategic Planning, Year-in-San Assessment, continued

Statement	Criteria	Knowledge	Assessment Criteria
1. The Corporation has a strategic plan that is approved by the Board of Directors.	1. The Corporation has a strategic plan that is approved by the Board of Directors.	1. The Corporation has a strategic plan that is approved by the Board of Directors.	
<p>Legend:</p> <ul style="list-style-type: none">  Fully Compliant  Partially Compliant  Not Compliant 			

1/ We found that the Corporation did not formally document its strategic planning processes to ensure consistent application year over year and across business units. Our findings are consistent with those of the Corporation's internal audit. We also observed that the Corporation's business units did not prepare operational plans in the same way—and that those plans did not always consider interdependencies between business units.

19 We also found that the Minister of International Trade Diversification did not approve the Corporation's 2018–19 to 2022–23 corporate plan. The Corporation originally submitted the draft plan in January 2018, and the Minister returned it requesting amendments to reflect the cancellation of a significant contract. The Corporation resubmitted the plan in August 2018, but it remained unapproved at the end of the period covered by the audit. The Corporation attempted to engage the Minister to secure approval of the plan. Government approval of corporate plans is a process outside the Corporation's control.

20 These weaknesses matter because inconsistent strategic planning processes may not provide the level of detail required to support the Corporation in achieving its strategic objectives. Furthermore, corporate plans outline a five-year strategic and financial direction. Many of the Corporation's transactions span several years and require long-term planning. The lack of an approved corporate plan limits the ability of the Corporation to assure its suppliers and the foreign governments it works with that it can carry out its contracts to their conclusion.

21 Recommendation. The Corporation should document its strategic planning processes and link them to operational planning. The Corporation should also ensure that its strategic planning processes are consistently applied and integrated across the organization.

Agreed. The Corporation will document its strategic planning processes and provide better linkages to operational planning. The Corporation will continue to strengthen its business plans through increased guidance while also focusing on integration and interdependencies between the respective plans. The Corporation will continue to evolve its business planning process and include regular touch points throughout the year to ensure accountability for deliverables identified within the plans. The strategic process documentation and related improvements will be completed by 30 September 2019.

22 Recommendation. The Corporation should continue to work with the government to ensure that its 2019–20 to 2023–24 corporate plan is approved.

Agreed. The Corporation notes that government stakeholder consultations take place regularly and that the status of government consultations will be documented in the 2019–20 to 2023–24 corporate plan. The Corporation will continue to work with the government to ensure that its 2019–20 to 2023–24 corporate plan is approved.

Joint Corporate Risk Analysis, 2017-2018, Year in Review, Assessment, and Commentary

Strategic Areas	Critical Risks	Key Findings	Assessment and Recommendations
<ul style="list-style-type: none"> Strategic Areas Operational Transactional 	<ul style="list-style-type: none"> Corporate Governance Human Resources Information Systems Legal and Compliance Operational Transactional 	<ul style="list-style-type: none"> Corporate Governance Business Continuity Operational Transactional Information Systems Legal and Compliance Operational Transactional 	<ul style="list-style-type: none"> Assessment and Recommendations Operational Transactional Information Systems Legal and Compliance Operational Transactional

2 The Corporation's process for identifying and assessing corporate risks included 14 risks across three categories: strategic, operational, and transactional. However, we found that the Corporation did not have formal processes for systematically collecting risk information at the business unit level. This meant that the process for identifying and assessing risk at the business unit level was not systematic.

2 This weakness matters because without a formal process of collecting risk information from business units, the Corporation might not identify, assess, mitigate, and monitor certain risks.

2 Recommendation. The Corporation's process for identifying risks should ensure that risk information is collected at the business unit level.

Agreed. The Corporation will provide additional guidance on risk identification and assessment to business units as part of its business plan process. Additional focus on the business plans at the Risk and Opportunities Committee will also be established. These improvements will be completed by 30 September 2019.

Annual Report on Business Operations and Contracting

Contract

2 Through contracts with foreign government buyers, the Corporation guarantees delivery of a Canadian exporter's goods or services. The Corporation also holds a contract with the Canadian exporter, which requires the exporter to fulfill its contract with the foreign government buyer. As a result, the Corporation assumes and mitigates risks, such as financial or political, for the Canadian exporter and the foreign government buyer. Before concluding these contracts, the Corporation assesses the risks to the transaction, which include

- the risk of the Canadian exporter not having the technical, managerial, or financial capacity to fulfill the contract;
- the risk of the foreign government buyer not concluding the contract or paying; and
- any other risks associated with the project that could affect its likelihood of success, including reputational risks such as corruption and bribery risks.

2/ The Corporation's transactions can involve exports of controlled goods, such as some military or dual-use goods or technology. Such controlled goods are subject to the Export and Import Permits Act, which requires that an export permit be issued by Global Affairs Canada before the goods can be exported. Once a contract has been signed, the exporter submits an application for an export permit to the Export Controls Operations Division of Global Affairs Canada, for a review of the facts of the export to ensure consistency with Canada's foreign and defence policies. On the basis of this review, the Minister of Foreign Affairs decides whether to grant an export permit in a particular set of circumstances. The Corporation is not involved in the decision as to whether the export of a controlled good or service can proceed, but assesses the risk associated with the export permit approval as part of the due diligence process.

The Corporation's annual business operations and contracting practices but there were weaknesses in its contracting processes

at work

29 We found that improvements were needed in the Corporation's due diligence processes related to managing risk in its contracts. In particular, the Corporation did not adequately consider risks related to human rights in its contracting processes. We also found weaknesses in the Corporation's monitoring system 766due cost T2. discussion (vice ft) ow8.598opic

Contract Management

1 Our recommendations in this area of examination appear at paragraphs 35 and 38.

Business Operations and Contract Management

2 Analysis. We found that the Corporation had good business development practices. However, we found weaknesses in the Corporation's contract management and performance monitoring and reporting processes (Exhibit 5).

Exhibit Business Operations and Contract Management, Performance Monitoring and Reporting

Business
Practices

Contract Management

Weaknesses

Exhibit Business, operations contract, your business, not continue (

Contract	Contract	Contract	Assessment
Contract	Contract	Contract	!
Contract	Contract	Contract	!
<p>Assessment</p> <p>✔</p> <p>!</p> <p>✘</p>			

This weakness matters because these systems and practices are needed to validate and inform the pricing for the Corporation's services and to help the Corporation achieve long-term financial sustainability.

A out t, Au t

This independent assurance report was prepared by the Office of the Auditor General of Canada on the Canadian Commercial Corporation. Our responsibility was to express

- an opinion on whether there is reasonable assurance that during the period covered by the audit, there were no significant deficiencies in the Corporation's systems and practices that we selected for examination; and
- a conclusion about whether the Corporation complied in all significant respects with the applicable criteria.

Under section 131 of the Financial Administration Act (FAA), the Canadian Commercial Corporation is required to maintain financial and management control and information systems and management practices that provide reasonable assurance that

- its assets are safeguarded and controlled;
- its financial, human, and physical resources are managed economically and efficiently; and
- its operations are carried out effectively.

In addition, section 138 of the FAA requires the Corporation to have a special examination of these systems and practices carried out at least once every 10 years.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard for Assurance Engagements (CSAE) 3001—Direct Engagements set out by the Chartered Professional Accountants of Canada (CPA Canada) in the CPA Canada Handbook—Assurance.

The Office applies Canadian Standard on Quality Control 1 and, accordingly, maintains a

Audit Objectives

The objective of this audit was to determine whether the systems and practices we selected for examination at the Canadian Commercial Corporation were providing it with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and

Corporate Governance in Crown Corporations and Other Public Enterprises—Guidelines, Department of Finance and Treasury Board, 1996

Recommended Practice Guideline 3, Reporting Service Performance Information, International Public Sector Accounting Standards Board, 2015

20 Questions Directors Should Ask about Risk, Canadian Institute of Chartered Accountants, 2006

Corporate risk management

20 Questions Directors Should Ask about Risk, Canadian Institute of Chartered Accountants, 2006

Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013

Corporate Governance in Crown Corporations and Other Public Enterprises—Guidelines, Department of Finance and Treasury Board, 1996

Corporate Social Responsibility: An Implementation Guide for Business, International Institute for Sustainable Development, 2007

Business development and contracting

COBIT 5 Framework—EDM02 (Ensure Benefits Delivery), ISACA

Plan-Do-Check-Act management model adapted from the Deming Cycle

Guidelines for the Preparation of Corporate Plans, Treasury Board Secretariat, 1996

A Guide to the Project Management Body of Knowledge (PMBOK® Guide), fourth edition, Project Management Institute Inc., 2008

Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013

st o o n at ons

The following table lists the recommendations and responses found in this report. The paragraph number preceding the recommendation indicates the location of the recommendation in the report, and the numbers in parentheses indicate the location of the related discussion.

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