



Standards Council of Canada
Special Examination Report—2009



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

Ce document est également publié en français.



3 June 2009

To the governing Council of the Standards Council of Canada

We have completed the special examination of the Standards Council of Canada in accordance with the plan presented to the Audit Committee of the governing Council on 9 September 2008. As required by section 139 of the *Financial Administration Act* (FAA), we are pleased to provide the attached final special examination report to the governing Council.

We would like to bring to your attention that, on 12 March 2009, the *Budget Implementation Act, 2009* (Bill C-10) received Royal Assent, resulting in changes to the FAA. The Corporation is now required to have a special examination carried out at least once every 10 years, as compared to the previous requirement of once every five years. In addition, the FAA now requires that the Board of Trustees submit the special examination report to the appropriate Minister and the President of the Treasury Board within 30 days after the day the Board receives it. The FAA also requires that the Board of Trustees make the special examination report available to the public within 60 days after the day on which it receives the report.

We will be pleased to respond to any comments or questions you may have concerning our report at your meeting on 10 June 2009.

I would like to take this opportunity to express my appreciation to the Council members, management, and the Corporation's staff for the excellent cooperation and assistance offered to us during the examination.

Yours sincerely,

Jean-Pierre Plouffe, CGA
Principal

Attach.

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Standards Council of Canada

Special Examination Report—2009

Main Points

What we examined

The Standards Council of Canada (SCC) is a Crown corporation with a mandate to promote efficient and effective voluntary standardization in order to, among other aims, advance Canada's economy, facilitate trade, assist and protect consumers, and benefit the health and safety of workers and the public. The Corporation reports to Parliament through the Minister of Industry.

Based on internationally recognized guides and standards, SCC accredits organizations that develop standards in Canada and also approves National Standards of Canada. It accredits bodies that assess whether a product, service or system conforms to a particular standard. In addition, it represents Canadian interests in regional and international standardization bodies. It also provides a range of information and research on standards and technical regulations.

The SCC has a staff of about 90, along with more than 4,000 volunteer members, and is governed by a Council of 15 members. Its operating budget for 2007–08 was about \$14.5 million, close to half of which is financed through its annual appropriation from Parliament.

We examined whether the Standards Council of Canada's key systems and practices provide it with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively. The period under examination was July 2008 to December 2008.

Why it's important

Having standards in place helps to protect health, safety, and the environment; facilitates innovation; and supports efficiency and order in the marketplace. The use of common standards promotes the competitiveness of Canadian businesses at home and abroad by ensuring that Canada's products and services are internationally compatible. In addition, information on standards can help consumers and businesses to make informed choices.

What we found

We found no significant deficiencies in the systems and practices of the Standards Council of Canada during the period under examination. We noted some good systems and practices, as well as areas where the Corporation could improve.

- Overall, the Corporation has good governance practices. The governing Council has developed a profile of the skills needed on the Council, and members receive the information they need to carry out their role. However, the Council would benefit from more regular assessment of its own performance. In addition, the Chair has been acting as the Corporation's Executive Director, as this position has been vacant since April 2008. With the end of the Chair's term approaching later in 2009, the lack of a full-time Executive Director increases the risks not only to continuity of expertise and corporate memory but to clear accountability and leadership.
- The Corporation has improved its strategic planning since our 2004 special examination and has also integrated enterprise risk management into the strategic planning process.
- The process for accrediting standards development organizations has improved since our 2004 special examination. However, the Corporation needs to improve its process for accrediting conformity assessment organizations. While the results of assessments were generally satisfactory, the Corporation's accreditation program documents refer in some cases to international standards that have been withdrawn, and its agreements with partner organizations are outdated. In addition, the Corporation needs to improve the timeliness of the reassessments carried out by its partner organizations. It also needs to ensure that each accreditation program undergoes an internal audit, as required by international standards, and that timely action is taken to correct any problems found by internal audits.
- While its national and international activities are well-managed overall, the Corporation could do better at monitoring the performance of Canadian participants on international technical committees.
- The Corporation manages its human resources and information technology well overall, although it should complete and implement its succession plan.

The Corporation has responded. *The Corporation agrees with all the recommendations. Its responses follow the recommendations throughout the report.*

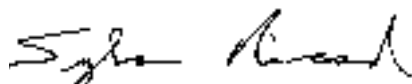
Special Examination Opinion

To the governing Council of the Standards Council of Canada

1. Under section 131 of the *Financial Administration Act* (FAA), the Standards Council of Canada 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.
2. Section 138 of the FAA also requires the Corporation to have a special examination of these systems and practices carried out at least once every five years.
3. Our responsibility is to express an opinion on whether there is reasonable assurance that during the period covered by the examination—from July 2008 to December 2008—there were no significant deficiencies in the Corporation’s systems and practices.
4. We based our examination plan on our survey of the Corporation’s systems and practices and a risk analysis. On 9 September 2008, we submitted the plan to the Audit Committee of the governing Council. The plan identified the systems and practices that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. Those are the systems and practices that we selected for examination.
5. The examination plan also included the criteria that we used to examine the Corporation’s systems and practices. These criteria were selected for this examination in consultation with the Corporation. The criteria were based on our experience with performance auditing and our knowledge of the subject matter. The criteria and the systems and practices we examined are listed in **About the Special Examination** at the end of this report.
6. We conducted our examination in accordance with our plan and with the standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures we considered necessary in the circumstances. In carrying out the special examination, we did not rely on the internal audit.

7. In our opinion, based on the criteria established for the examination, there is reasonable assurance that during the period covered by the examination there were no significant deficiencies in the Corporation's systems and practices.

8. The rest of this report provides an overview of the Corporation and more detailed information on our examination observations and recommendations.



Sylvain Ricard, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
19 December 2008

Overview of the Standards Council of Canada

Legislative mandate

9. The Standards Council of Canada (SCC) is a federal Crown corporation established in 1970 by an Act of Parliament and reports to Parliament through the Minister of Industry. The Act was amended in 1996 following public consultation.

10. The Corporation coordinates Canada's voluntary National Standards System, which is a network of people and organizations involved in the development and use of voluntary standards. The SCC accredits organizations that develop standards in Canada and approves those standards that will become National Standards of Canada. The Corporation also accredits organizations that will conduct conformity assessment, a practice of determining whether a product, service, or system meets the requirements of a particular standard. SCC accreditation programs are based on internationally recognized guides and standards and are designed to evaluate whether organizations are competent to carry out specific functions.

11. Standards and harmonized conformity assessment practices facilitate international trade by ensuring that Canada's products and services are compatible internationally. The SCC assists members to attend standards development meetings to ensure that Canadian interests are considered in the development of international standards.

12. The mandate specified in the *Standards Council of Canada Act* is to promote efficient and effective voluntary standardization in Canada, where standardization is not expressly provided for by law and, in particular, to

- promote the participation of Canadians in voluntary standards activities;
- promote public-private sector cooperation in relation to voluntary standardization in Canada;
- coordinate and oversee the efforts of the persons and organizations involved in the National Standards System;
- foster quality, performance and technological innovation in Canadian goods and services through standards-related activities; and

- develop standards-related strategies and long-term objectives, in order to advance the national economy, support sustainable development, benefit the health, safety and welfare of workers and the public, assist and protect consumers, facilitate domestic and international trade and further international cooperation related to standardization.

Corporate resources and activities

13. The work of the SCC is carried out by a staff of about 90, as well as by more than 4,000 volunteers who serve on technical committees, subcommittees, and working groups that prepare Canadian positions for international standards under development. In addition, there are several advisory committees that provide widely based input to the Council on policy matters concerning national, regional, and international standardization activities related to standards development, accreditation, conformity assessment, and consumer interests.

14. About half of the Council's revenues come from its annual appropriation from Parliament; the other half is revenue-generating activities such as accreditation programs and the sale of standards.

The SCC discharges its mandate through the following three principal branches:

- Standards—about 20 percent of staff;
- Conformity Assessment—about 27 percent of staff; and
- Intergovernmental Affairs and Trade—about 20 percent of staff.

These branches are described more fully under the next three headings. All of these branches are supported by administrative services, such as finance, information systems, and human resources.

15. **Standards.** The SCC does not develop national standards itself but accredits four standards development organizations to do so. Standards are developed in a variety of fields and, once developed, may be sent to the SCC for approval as a National Standard of Canada. This designation indicates that a standard is the official Canadian standard on a particular subject. These national standards may be developed in Canada or adopted/adapted from international standards. In the last three years, 524 National Standards of Canada were approved; about 50 percent of these were adopted or adapted from international standards.

16. The *Standards Council of Canada Act* designates the Standards Council of Canada as the Canadian member body of the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Through the SCC, Canada is represented at various levels in these two organizations. The Corporation provides the framework for thousands of interested Canadians to contribute to over 500 governance and technical committees on the development of international standards. On behalf of the SCC, Canadians also hold international leadership positions within the ISO and IEC, such as the presidency of the IEC.

17. **Conformity Assessment.** The SCC accredits six types of conformity assessment organizations, including

- testing and calibration laboratories,
- product and service certification bodies,
- management systems certification bodies,
- personnel certification bodies,
- inspection bodies, and
- greenhouse gas validation and verification bodies.

18. Accreditation programs are designed to ensure that organizations are competent in the scopes, subject areas, and fields of activity that they have been accredited for and that the results of their work are accepted internationally.

19. The SCC is also a member of a number of organizations that are developing agreements to ensure that the results of conformity assessment activities are accepted internationally. On behalf of the SCC, Canadians also hold international leadership positions within these organizations.

20. **Intergovernmental Affairs and Trade.** The Corporation advises various levels of government, industry organizations, and non-governmental bodies on trade and regulatory policy related to conformity assessment and standards activities.

21. The SCC provides information on standards, technical regulations, and conformity assessment through its website, corporate communications material, Information and Research Services, and the Technical Document Centre. The SCC also serves as Canada's enquiry points for the World Trade Organization Agreement on Technical Barriers to Trade and the North America Free Trade Agreement.

Focus of the special examination

22. We examined the Standards Council of Canada's systems and practices in the areas of corporate governance, strategic planning and reporting, accreditation practices, international and national activities, human resources, and information technology. Our objective was to determine whether those systems and practices provide the SCC with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

23. Further details on the audit objective, scope, criteria, and approach are provided in **About the Special Examination** at the end of the report.

Observations and Recommendations

Corporate governance

24. Corporate governance refers to the structures, systems, and practices an organization puts in place to carry out its mandate and achieve its objectives. Sound corporate governance practices are essential to meet the statutory control objectives outlined in Part X of the *Financial Administration Act* for Crown corporations.

25. We examined the terms of reference, composition, and functioning of the governing Council as well as its application of various policies, including the Corporation's conflict of interest policy.

26. We expected that the Standards Council of Canada (SCC) would have a well-performing corporate governance framework to maximize the Corporation's effectiveness and its ability to fulfill its mandate. We found that the Corporation has adequate governance practices and we identified some areas for improvement.

The Corporation has good governance practices overall

27. **Council stewardship.** The Corporation's governing Council consists of a maximum of 15 members who, other than the Chairperson, serve without remuneration, as stipulated in the *Standards Council of Canada Act*. At the end of December 2008, there were 12 active members. Of the 3 vacancies, one was the federal public administration position, which is required under the *Standards Council of Canada Act*. In 2006, the SCC recommended to the Minister of Industry that this position not be filled to be consistent with good governance practices involving potential conflicts of interest

and in support of the government's review of ongoing federal government representation on boards of federal Crown corporations. This position has been vacant since then.

28. Historically, the Audit Committee, the Corporate Governance Committee, and eight main advisory committees have provided support and advice to the Council. Each committee operates under terms of reference, which the Council approves, and each reports periodically to the Council. The Council reviews and updates the terms of reference as required.

29. In a recent decision, the Council agreed to decrease the number of its main advisory committees from 8 to 5 and redefine their reporting responsibilities. The purpose of the restructuring is intended, among other things, to allow the governing Council more time to focus on strategic issues and eliminate overlap and duplication in the activities of the advisory committees. Terms of reference are currently being updated for the advisory committees and subcommittees.

30. One of the advisory committees, the Provincial-Territorial Advisory Committee (PTAC), is established by the *Standards Council of Canada Act*. Its membership is supposed to include a representative from each province and territory. We noted that the SCC has sometimes faced challenges in ensuring timely appointments of representatives from the provinces and territories, despite the Corporation's efforts to recruit provincial and territorial representatives through 2008. For example, at the end of 2008, the seats for two of the territories had been vacant for a number of years. Poor membership could impair the ability of PTAC to advise and make recommendations to the governing Council on standardization matters, as required by the *Standards Council of Canada Act*.

31. Council competency and independence. A Council member profile has been prepared and indicates that collectively the Council members have the appropriate knowledge to discharge their responsibilities. The SCC regularly provides an updated profile to the Minister of Industry whenever vacancies are expected or occur. New Council members are provided with information on the SCC through a normal orientation process and attending courses relevant to their responsibilities.

32. The members of the Audit Committee have financial capabilities and adequately challenge and review the financial statements and the associated management discussion and analysis. The Audit Committee meets regularly with the external auditors.

33. The independence of the governing Council from management is usually ensured through various mechanisms:

- ensuring that Council members have sufficient expertise to carry out their duties;
- allowing only Council members to vote and make decisions; and
- holding part of each meeting without management to discuss issues of interest to the Council.

34. Given the nature of the SCC's business and the wide range of backgrounds of Council members, it is important that the Corporation have effective systems and practices to deal with potential conflicts of interest. We found that it has adequate systems and practices in place.

35. **Self-assessment of performance.** The Council last assessed its own performance in 2005. At that time, members were generally satisfied with the way the Council and its committees functioned, and this continues to be the case today, based on our survey of Council members. Regular self-assessments are important so that the Council knows what needs to be improved, and when, to maximize its effectiveness and efficiency.

36. **Recommendation.** The Standards Council of Canada should ensure that a Council self-assessment of its performance is conducted on a regular basis.

The Corporation's response. The Corporation agrees with this recommendation and will return to an annual timeline for the conduct of Council's performance assessment, and that of individual members.

37. **Council information.** The Council has appropriate and timely information to interpret the SCC's mandate, to provide management with strategic direction, and to exercise its oversight responsibilities. This information allows the Council to be closely involved in such areas as developing and approving the Corporation's corporate plan. Council decisions are documented in the minutes of the various Council and committee meetings. In addition, a letter from a previous Minister of Industry in 2006 provided the Council with the Minister's strategic priorities, which were incorporated in the Corporation's strategic direction. While we noted regular communications with the responsible Minister since that time, there was no process of formal communication to provide for necessary dialogue, high-level expectations, and consensus.

The Executive Director position has been vacant since April 2008

38. The Executive Director, who is the Chief Executive Officer, is appointed by the Governor in Council. The governing Council has considered succession planning for the Executive Director. In 2007, the Council advised the Minister of the upcoming end of term of the serving Executive Director in April 2008, and his term was not extended. Since 2007, we understand that the Council and the Chairperson have played an active role in identifying potential candidates for the position and made recommendations to the Minister. A replacement for this position had not been announced at the end of our examination.

39. Meanwhile, the Council Chairperson's term expired in November 2008, although his term was officially extended for one year in December 2008. Upon retirement of the Executive Director in April 2008, the Council designated the Chairperson to assume some of the Executive Director's duties in addition to his own duties. While the SCC acknowledges that this reduced the independence of the two functions, it has taken steps to minimize the potential impact. For example, the Chairperson assumed the strategic duties of the Executive Director, while senior management is responsible for the day-to-day operations of the Corporation. However, as the end of the Chairperson's term approaches later in 2009, the lack of a full-time Executive Director increases the risk to continuity of expertise and corporate memory, in addition to clear accountability and leadership.

Strategic planning and reporting

40. Strategic planning is the process of defining an organization's direction, or strategies, and resources needed to implement those strategies. It determines what an organization does, and why it does it, with a focus on the future, and it ensures that the members of the organization work toward the same goals.

41. We expected the Standards Council of Canada (SCC) to have a clearly defined strategic direction and specific, measurable goals and objectives to ensure that it can fulfill its mandate. The Corporation's strategic direction and goals should consider its environment, identified key risks and opportunities, government priorities, and the need to manage its resources economically and efficiently. We also expected that management and the governing Council would have appropriate and timely financial and management information for decision-making purposes and reporting on performance achieved.

42. In our 2004 special examination report, we noted that the SCC needed to strengthen its planning processes and practices. We also noted that it needed to establish an integrated risk management

framework, carry out a risk assessment, and identify and address gaps in performance measures. We found that the Corporation has addressed these observations and has good strategic planning and reporting systems and practices in place.

Strategic planning at the Corporation has improved

43. We reviewed the SCC's most recent planning process related to the preparation of the corporate plan, which is now the only core planning document. The corporate plan is based on an analysis of the Corporation's business environment and the key risks it faces, which are identified through its new risk management framework that was developed in 2007. The Council works with senior management to set out the Corporation's strategic direction and priorities during annual strategic planning sessions. The Governor in Council approved the 2008–09 to 2012–13 Corporate Plan in March 2008.

Enterprise risk management has been integrated into the strategic planning process

44. The enterprise risk management framework integrates corporate and operational risks. In addition, many of the steps taken by the Corporation to monitor and mitigate its risks are integrated in its policies, programs, planning processes, and quality management system. The information provided on risk in the strategic planning sessions gives management and the governing Council more assurance that major strategic and operational risks have been identified.

45. The risk management process was updated in 2008–09, and the revised framework was submitted to the Audit Committee in December 2008 for final approval. The SCC continues to refine its risk management framework to include a more formal risk analysis component in its strategic planning sessions and a reporting mechanism.

A balanced scorecard approach is used to manage and report on performance

46. In 2004, we noted that the SCC should establish linkages between its performance indicators and its corporate objectives and strategies, as well as address gaps in its performance measures at the operational and corporate levels.

47. We found that the SCC has developed a balanced scorecard approach that is now used to link the Corporation's objectives and strategies with the performance indicators used. The Corporation's five-year corporate plan has a section that includes a narrative

summary of performance and performance indicators by which it assesses the degree to which it has achieved its strategic priorities.

48. The elements included in the corporate balanced scorecard are articulated in more detail in the branch business plans. Gaps in the performance indicators at the operational and corporate levels have also been eliminated. Regular activity reports are provided to senior management for operational monitoring and to report progress to the governing Council. We found that the SCC also includes, in its annual report, progress made with respect to key performance indicators included in the balanced scorecard.

Accreditation practices

49. The Standards Council of Canada (SCC) has the mandate to coordinate and oversee the efforts of the National Standards System, which includes organizations and individuals involved in voluntary standards development, promotion, and implementation in Canada. In Canada alone, there are several thousand national standards. The SCC accredits organizations that develop standards in Canada and conformity assessment organizations. Accreditation is the verification that an organization has the competence necessary to carry out a specific function.

50. Conformity assessment is the practice of determining whether a product, service, or system meets the requirements of a particular standard. A standard is a document that describes the important features of that product, service, or system and the essential requirements that it must meet. The SCC's accreditation programs are based on internationally recognized standards and guides.

51. We expected the accreditation practices for organizations developing standards and assessing conformity to be credible, effective, and efficient. This is important, as the failures or problems associated with conformity assessment organizations accredited by the Council may affect its credibility at the national and international levels. Overall, while we found that the SCC has good accreditation practices in place, some improvements are needed.

The accreditation process for standards development organizations is adequate

52. The Council currently accredits four organizations to develop standards. According to its main guide, the SCC must audit each organization once every three years to ensure that it meets the criteria for accreditation. Annual surveillance audits, which are less detailed, are also conducted in between.

53. In our 2004 special examination, we noted that the SCC needed to improve the documentation in the audit files and conduct an in-depth review of the entire process to identify areas where efficiency could be improved.

54. During our current examination, we reviewed a sample of accreditation audits done by the SCC, including one re-accreditation and one surveillance audit. We found that the SCC has improved the documentation of its accreditation audits to properly support its decision to continue accreditation of a standards development organization (SDO). In order to improve efficiency, the Corporation has implemented a new structured and consistent documentation approach when assessing the SDOs so that the evidence used to support the evaluation of each criterion is apparent. We also noted that the SCC had adhered to its internal policy on the accreditation of SDO practices, particularly related to timing.

The accreditation process for conformity assessment organizations needs improvement

55. The SCC accredits more than 400 organizations, including nearly 350 laboratories under the Program for the Accreditation of the Laboratories—Canada (PALCAN) program. The SCC has developed a primary procedural document to guide the accreditation activities of each conformity assessment program. Each program also develops and uses program documents that include descriptions, procedures, instructions, and standard forms.

56. Internal audit. As an accreditation body, the SCC is required to have annual audits of each of its accreditation programs. To fulfill this requirement, the SCC uses its internal quality management group to perform the audits. In addition, peer evaluations are required by regional and international agreements in order for the SCC to demonstrate that it meets the requirements of the international standard for accreditation bodies and to maintain its signatory status for various accreditation programs.

57. We found that accreditation programs for the inspection bodies and the personnel certification bodies have never been audited. While these are small programs, audits are required under the international standard for accreditation bodies. We also noted that corrective actions arising from the most recent internal audit and quality management audits were not acted on in a timely or appropriate manner.

58. Recommendation. The Standards Council of Canada should ensure that each accreditation program is subject to an internal audit,

as required by international standards, and that findings from internal audits are acted on in a timely and appropriate manner to ensure the effectiveness of the internal audit process.

The Corporation's response. *The Corporation agrees with this recommendation. While the Conformity Assessment Branch is currently subject to routine internal (quality) audits for the majority of its programs, the Inspection Body Accreditation Program (IBAP) has never been audited due to pending documentation amendments.*

As per the Conformity Assessment QMS Quality Plan, all IBAP documents are scheduled for completion and approval by September 2009. This will be verified during IBAP's internal audit scheduled for the end of September 2009. The internal audit report will be written by November and a plan to correct any findings will be required by the end of December 2009.

59. Conformity assessments done by the SCC. Our special examination included review of a sample of SCC's assessments of its accredited organizations. We found that these assessments were satisfactory and in accordance with the Corporation's standards and international standards.

60. Conformity assessments done by partner organizations. Under the PALCAN program, the Corporation assesses about three-quarters of the accredited organizations, while partner organizations assess the rest. The risk and complexity of the assessment, as well as the geographic location of the organization, in addition to other factors, determine whether the SCC or one of its partner organizations performs the assessment.

61. The mechanisms in place to ensure quality of service from partner organizations are

- annual audits and onsite visits,
- reviews of each assessment done by the partner organizations, and
- oversight to monitor the timeliness of the assessments done.

These mechanisms are specified in program documents and formal agreements with the partners, which is a significant control to ensure that their partners' work meets PALCAN's established quality standards. In December 2008, the Advisory Committee on Conformity Assessment approved changing the audit of its partner organizations from once a year to every two years.

62. We examined SCC's annual audits of its partners and the agreements between the Corporation and its partners. The audit

results indicated that the partners were performing their assessments in accordance with the SCC's approved primary procedural documents and international standards.

63. Similar to our 2004 special examination, we found that the SCC was not effectively monitoring partner organizations to ensure that assessment activities were completed according to the Corporation's internal standards. About 25 percent were late and as much as 8 months overdue. We also noted that some of the agreements with the partners had not been revised in years and reflected withdrawn international standards.

64. Recommendation. The Standards Council of Canada should ensure that

- assessment activities are completed on time in accordance with internal and international guidance documents, and
- partner agreements are updated as needed to reflect changes in international standards.

The Corporation's response. The Corporation agrees with this recommendation. The Conformity Assessment Branch's Quality Management System (QMS) requires improvement to ensure that documented time frames within internal and international guidance documents are adhered to. The Branch is currently developing a technical procedure to ensure that assessment activities are performed pursuant to established time frames and in keeping with those outlined in internal and international guidance documents. Partner agreements will be revised by November 2009.

65. Update of program documentation. During our examination, we noted some concerns related to documentation. For example, several of the program documents we reviewed had not been updated to reflect changes in international standards. This is because their criteria sources or certain programs do not have any formally approved technical procedures or instructions that are required by international standards. In addition, we identified areas where the SCC is not performing and documenting its assessment procedures in accordance with its own approved program documents.

66. In 2007 and 2008, audits done by the internal quality management group, internal audit, and two peer evaluation audits indicated that the SCC's assessments were satisfactory, with sufficient documentation to support the opinions. However, the majority of these audits noted concerns that were similar to those that we found with program documentation.

67. Late in 2008, management started to identify and reduce the gaps in its program documents. The SCC also provides training to internal and partner organization assessors as new international standards are issued. This training updates assessors on the applicable international standards, even though all of the Corporation's guidance may not be updated. Our review of a sample of assessment files indicated that the assessment plans included in those files referenced the correct international standards and not the withdrawn standards. While this reduces the risk of not having updated program documentation, it is important that these gaps are dealt with in a timely manner.

68. Recommendation. The Standards Council of Canada should have a process to review all primary and program documents on a regular basis to ensure that they remain up-to-date and reflect current international standards.

The Corporation's response. The Corporation agrees with this recommendation. The Conformity Assessment Branch's Quality Management System (QMS) requires improvement to ensure that all primary and program documents remain up-to-date and reflect current international standards. A phased approach is being used to update our CA Branch documents. Phase 1 is the development of a Conformity Assessment QMS Quality Plan. This plan has been written and approved. Phase 2 is to develop the timing required to review all primary and program documents as part of the plan. This will be completed for each program by June 2009. Phase 3 is scheduled to be completed by January 2010 for all programs to ensure that the documents remain up-to-date and reflect current international standards. In addition to this, a procedure will be developed and written by October 2009, which requires the review of all primary and program documents on a regular ongoing basis.

International and national activities

69. The Standards Council of Canada (SCC) manages about 500 Canadian technical committees that participate in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). In addition, the SCC is a member of regional forums that have an impact on international standards and address standards used in the regions of the Americas and Asia-Pacific. The technical committees form a major component of Canada's ability to participate in and influence the development of international standards. The Canadian Standards Strategy is used in part to identify objectives and activities related to the development of national positions and priorities, which in turn influences the work of the Canadian technical committees.

70. The Corporation supports the volunteers on Canadian technical committees through its Member Program, which, in part, identifies and trains new volunteers to work on these technical committees. The SCC also monitors the performance of its technical committees to ensure that Canadian and SCC interests are represented.

71. Once a standard is approved internationally, it can be submitted by a standards development organization to the SCC for approval as a National Standard of Canada (NSC). To be approved as a NSC, the submitted standard must meet certain criteria developed by the Corporation.

72. The SCC also participates in international and regional accreditation arrangements. These arrangements mean that a member organization agrees to promote other members' accreditations as equivalent to its own, with the aim that an organization accredited by the SCC to perform certain functions will have its accreditation recognized by the other member countries and that a product certified by an accredited organization in Canada will meet the standards of other countries, thereby facilitating international trade.

73. We expected that the participation in and the representation on international forums would be strategic, adequately resourced, and effective to facilitate access to international markets. In addition, we anticipated that national positions and priorities would reflect Canada's standardization needs and would be the result of effective environmental scanning and stakeholder consultation. We also expected that the SCC would have systems and practices to ensure that new standards developed and existing ones modified include consideration of current and emerging economic and social policy objectives. We found that the SCC has improved its systems and practices in this area since our last special examination and that they are adequate overall.

The Corporation has addressed most of our 2004 observations

74. During the 2004 special examination, we noted a number of areas where the Corporation could improve its international and national activities. These areas included

- prioritizing the Corporation's memberships in regional forums,
- reviewing the Corporation's funding support for Canadian technical committees at the ISO and IEC,
- considering the adoption of a mechanism to prioritize standards issues,

- establishing targets for the Member Program,
- strengthening the monitoring of performance of technical committees, and
- requiring public policy goals be addressed when new standards are submitted.

75. During our current examination, we found that the SCC has addressed the majority of our 2004 observations as indicated in the following sections. For example, the Corporation reviewed all membership arrangements in 2005, except those in the ISO and IEC, resulting in the termination of three of them. This allowed the SCC to reduce some of the overlap in its portfolio of conformity assessment arrangements. The Corporation now annually reviews its funding policy for technical committees on the ISO and IEC. Funding support is provided to those committees that have been identified as critical to Canada's interests, subject to budget constraints and ongoing review.

Development of national positions on standards issues has improved

76. The original Canadian Standards Strategy (CSS), launched 29 March 2000, focused on a more strategic approach to standardization activities aimed at enabling Canada to improve its global competitiveness, while at the same time advancing its social and environmental agenda. The current CSS identifies specific objectives and activities related to the development of national positions and priorities. We found that the SCC had made good progress on addressing these activities and objectives.

77. SCC management provides the governing Council with semi-annual progress reports on the implementation of the CSS. This allows the Council to monitor progress and take corrective action if required.

78. Following stakeholder and internal consultation, the current CSS was being revised during our examination. The intent of the new Canadian Standards Strategy 2009–2012 is to increasingly involve outside stakeholders in the implementation of activities and reporting of progress on the new strategy. This is a change to the existing CSS, where only the SCC and its advisory committees are responsible for implementing the identified activities. The SCC is currently working with other stakeholders to identify those interested in assuming responsibility for specific activities.

79. The Council's advisory committees also play a key role in identifying and prioritizing standardization issues that are important

for Canada. We found that each of the advisory committees had at least considered the application of the priority-setting mechanism developed by the Consumer and Public Interest Committee, and two are using it. Those committees that are using it indicated that it is useful in identifying priorities. We also noted that the advisory committees submitted an annual work plan to the Council for its approval that included the identification of national priorities and positions. The committees also report to Council on their progress against their work plan.

The Member Program continues to develop

80. The Member Program is intended to ensure sustained and effective volunteer representation within the Canadian standards system. At the time of our 2004 special examination, the Member Program had just been formed and systems and practices were being put in place. For example, only a limited number of people had attended training, and recruiting strategies had just started to be implemented.

81. The Member Program has matured since 2004. For example, training targets for the program are now in place. In addition, the SCC formed a Member Program Working Group in 2006 to respond to the activities described in the Canadian Standards Strategy Update 2005–2008. A number of recommendations were made, with two of them identified as priorities. The first priority was the development of a Member Program Annual Roundtable between the SCC and the standards development organizations, who all share the same membership challenges. The second priority was the introduction of a training session to orient new volunteers to international technical committee work. The implementation of these two priorities is to occur by the end of 2009.

82. Voting and staff abstentions. The SCC uses the technical committees' voting on international documents as the primary measure to assess the committees' performance. We noted in our 2004 special examination that this indicator does not give a complete picture of the committees' performance, because staff abstentions were included in the response rate, and other performance indicators identified were not yet in use. We found that the rate of staff abstentions, which occur when the committee chairs do not vote when required, had decreased to just over 5 percent in 2007, compared with 30 percent in 2004; however, we are not aware of any analyses done to identify the causes of the remaining staff abstentions. We also noted that the SCC does not use the alternative performance indicators that

it identified in 2004, or other indicators, to monitor the performance of the technical committees.

83. Recommendation. The Standards Council of Canada should monitor the frequency of staff abstentions, identify their causes, and take appropriate action. The Corporation should consider the use of other indicators, in addition to voting, to assess the performance of technical committees.

The Corporation's response. The Corporation agrees with this recommendation. The Corporation's monitoring over the past five years indicates substantial improvement, with more possible. It is moving toward evaluating and recording the reasons for the abstention to determine patterns and finding appropriate actions to further improve. The topic will be addressed at the Standards Leadership Forum (includes chairs of Canadian national committees and sub-committees) in August 2009 for awareness and discussion.

The Corporation has improved the process for developing new standards

84. Public policy goals. Part of the SCC's role in the development of standards is to ensure that the standards developed respect public policy objectives, where appropriate. Public policy objectives include elements such as benefiting the health, safety, and welfare of workers and the public, and assisting and protecting consumers. One way for the SCC to achieve this is to include a requirement to address public policy objectives in its criteria for the accreditation of the standards development organizations (SDOs) and for the approval of the National Standards of Canada.

85. Public policy goals are now required to be explicitly considered when developing new standards. The governing Council approved new criteria in May 2006 that specifically require SDOs to include a statement describing how public policy goals were considered in the standards development process. During our current examination, we found that management provided a grace period of two years to SDOs to comply with this new requirement. This period was provided in order to not delay standards that had passed the draft stage. We noted, however, that the governing Council had not approved this grace period.

86. Time frame for approving national standards. We expected that the SCC would have a process to ensure that national standards are approved in a timely manner. From May 2006 to August 2008, the SDOs submitted 493 new standards for approval as National

Standards of Canada. Of those, 97 percent were approved, 1 percent were pending, and 2 percent were not approved.

87. We found that the SCC does not have a formal target for approving standards within a certain time. However, management informed us that it has a verbal two-week turnaround time and tracks outstanding submissions but has not done any analysis of the time it takes to approve submitted standards. Based on the examination of standards approved since May 2006, we found that this time varies considerably and has taken up to a year. Management indicated that a new process will be in place in the last quarter of 2008–09 to make the process more efficient and timely.

88. Recommendation. The Standards Council of Canada should set a time frame for approving submitted standards as National Standards of Canada, keep track of its performance for approving standards, and take appropriate measures to improve its performance if required.

The Corporation's response. The Corporation agrees with this recommendation. The Corporation has put in place an electronic forum (confidential to each standard development organization (SDO)) that permits electronic processing from the initial application through to the approval. A feature of the application is periodic (weekly reports) to management and the SDOs on the status of each submission. This will provide the basis for a dialogue with the clients on appropriate performance levels. As of April 2009, we have completed the internal trial phase and are now in trials with the SDOs.

Human resources

89. Although the Standards Council of Canada (SCC) is a small organization with 90 employees, the nature of the Corporation's business requires a staff complement of technical and knowledge-based positions. This requirement will not diminish as international standards activities move into fields such as nanotechnology and solid biofuels.

90. We expected that the SCC would manage its human resources in a manner that provides the Corporation with the capacity and the work environment it needs to achieve its goals and objectives. We found that the SCC has adequate systems and practices to manage its human resources.

The Corporation is in the initial stages of developing a succession plan

91. The Corporation has a human resources strategic plan that was developed in consultation with management, human resources staff, and a human resources consulting firm. It contains components

dealing with recruitment and selection, orientation, training and development, and succession planning. It has also conducted a review of its salaries recently with the objective that it remains competitive.

92. While staff turnover has been relatively low in the past few years, the SCC faces some challenges in certain areas, such as recruiting for highly technical positions. The Corporation invests in the training and development of its staff, particularly in technical skills. Performance objectives are set and evaluated annually, with the requirement that objectives are specific, measurable, achievable, realistic, and time-based, and performance ratings are well-defined.

93. The SCC has a preliminary succession plan, originally developed in 2002, that identifies the key positions of the organization, the individuals capable of filling those positions, and the training those individuals need to carry out their roles effectively. The governing Council last approved the preliminary succession plan in 2005. The SCC updated the preliminary plan in 2007 but has not yet fully developed it because the Corporation was focused on addressing the recruitment and selection component of its human resources plan. The SCC intends to hold a management retreat in January 2009 to further refine and continue developing its succession plan.

94. Recommendation. The Standards Council of Canada should complete and implement its succession plan.

The Corporation's response. The Corporation agrees with this recommendation. A report on the Corporation's plan will be provided to the Council's Corporate Governance Committee in June 2009.

Information technology

95. Since our last special examination in 2004, the Standards Council of Canada (SCC) has increasingly used and is more dependent on information technology applications for the activities of Council, advisory committees, and volunteers working on international standards development committees. According to management, ensuring that these IT applications and infrastructure are available is critical to supporting the SCC's core business activities.

96. We expected that the planning, development, implementation, and management of information technology would support the Corporation's strategic and operational objectives, ensure business continuity, and satisfy information needs at an acceptable cost and on a timely basis. The SCC has met these expectations.

Information technology supports the Corporation's needs

97. The Information Technology Strategic Plan (ITSP) and the business plan for the Information Systems group reflect the Corporation's business needs and strategic direction. As part of its business case approach, the Information Systems group gathers business requirements and tracks new IT investment initiatives from other SCC divisions.

98. Testing of critical applications. The SCC has detailed recovery plans for all of its critical systems, located at multiple locations. The backup and recovery of certain corporate systems have been tested recently. These tests indicate the SCC's ability to recover other internal and external applications, as the recovery procedures are very similar. However, we noted that not all critical applications are scheduled to be periodically tested.

99. Recommendation. The Standards Council of Canada should develop a more formal testing plan that periodically tests all critical applications.

The Corporation's response. The Corporation agrees with this recommendation. The Corporation's Information Systems Division will undertake development, execution, and maintenance of an application testing plan, beginning in April 2009. The Corporation is preparing for this plan, which will include disaster recovery and business continuity planning.

Conclusion

100. We conclude that during the period covered by the examination and based on the criteria established for the examination, the Standards Council of Canada has maintained systems and practices to provide it with reasonable assurance that its assets are safeguarded and controlled, its resources are managed economically and efficiently, and its operations are carried out effectively.

About the Special Examination

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objective

Under section 138 of the *Financial Administration Act* (FAA), federal Crown corporations are subject to a special examination once every five years. An FAA amendment in March 2009 changed this requirement to once every 10 years. Special examinations of Crown corporations are a form of performance audit where the scope is set by the FAA to include the entire corporation. In special examinations, the Auditor General provides an opinion on the management of the corporation as a whole. The opinion for this special examination is found on page 3 of this report.

Special examinations answer the question: Do the corporation's systems and practices provide reasonable assurance that assets are safeguarded and controlled, resources are managed economically and efficiently, and operations are carried out effectively?

Key systems and practices examined, criteria, and approach

At the start of this special examination, we presented the Corporation's audit committee with an audit plan that identified the systems and practices, and related criteria, that we considered essential to providing the Corporation with reasonable assurance that its assets are safeguarded and controlled, its resources managed economically and efficiently, and its operations carried out effectively. These are the systems and practices and criteria that we used for examination.

Key system and practice examined	Criteria
Corporate governance	The Standards Council of Canada (SCC) has a well-performing corporate governance framework to maximize the Corporation's effectiveness and its ability to fulfill its mandate
Strategic planning and reporting	<p>The SCC has clearly defined strategic directions and specific, measurable goals and objectives to ensure that it fulfills its mandate. Its strategic direction and goals should consider its environment, identified key risks and opportunities, government priorities, and the need to manage its resources economically and efficiently.</p> <p>The governing Council and management of the Council have appropriate and timely financial and management information for decision-making purposes and reporting for performance achieved.</p>
Accreditation practices	Accreditation practices for standards development and conformity assessment organizations are credible, effective, and efficient.

Key system and practice examined	Criteria
International and national activities	<p>National positions and priorities reflect Canada's standardization needs and are the result of effective environmental scanning and stakeholder consultation.</p> <p>The participation in and the representation on international forums is strategic, adequately resourced, and effective in order to facilitate access to international markets.</p> <p>New standards that are created and existing ones that are modified include consideration of current and emerging economic and social policy objectives.</p>
Human resources	Human resources are managed in a manner that provides the Corporation with the Human Resources capacity and the work environment it needs to achieve its goals and objectives.
Information technology	The planning, development, implementation, and management of information technology and information management systems support the Corporation's strategic and operational objectives, ensure business continuity, and satisfy information needs at an acceptable cost and on a timely basis.

Our audit approach consisted of interviewing key management; reviewing key documentation, such as the 2008–09 to 2012–13 Corporate Plan, the 2007–08 Annual Report, minutes of advisory committees and Council and its committees, the SCC's succession plan and human resource plan, and other program documentation; and auditing selected accreditation and National Standards of Canada files.

Audit work completed

Audit work for this special examination was substantially completed on 19 December 2008.

Audit team

Assistant Auditor General: Sylvain Ricard
Principal: Jean-Pierre Plouffe
Project Leader: Randy Miles

Mitch Bowman
Greg Boyd
Genevieve Hivon
Louiselle Otis

For information, please contact Communications at 613-995-3708 or 1-888-761-5953 (toll-free).

Appendix List of recommendations

The following is a list of recommendations found in the Special Examination Report. The number in front of the recommendation indicates the paragraph where it appears in the report. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Corporate governance	
<p>36. The Standards Council of Canada should ensure that a Council self-assessment of its performance is conducted on a regular basis. (35)</p>	<p>The Corporation agrees with this recommendation and will return to an annual timeline for the conduct of Council's performance assessment, and that of individual members.</p>
Accreditation practices	
<p>58. The Standards Council of Canada should ensure that each accreditation program is subject to an internal audit, as required by international standards, and that findings from internal audits are acted on in a timely and appropriate manner to ensure the effectiveness of the internal audit process. (55–57)</p>	<p>The Corporation agrees with this recommendation. While the Conformity Assessment Branch is currently subject to routine internal (quality) audits for the majority of its programs, the Inspection Body Accreditation Program (IBAP) has never been audited due to pending documentation amendments.</p> <p>As per the Conformity Assessment QMS Quality Plan, all IBAP documents are scheduled for completion and approval by September 2009. This will be verified during IBAP's internal audit scheduled for the end of September 2009. The internal audit report will be written by November and a plan to correct any findings will be required by the end of December 2009.</p>
<p>64. The Standards Council of Canada should ensure that</p> <ul style="list-style-type: none"> • assessment activities are completed on time in accordance with internal and international guidance documents, and • partner agreements are updated as needed to reflect changes in international standards. <p>(59–63)</p>	<p>The Corporation agrees with this recommendation. The Conformity Assessment Branch's Quality Management System (QMS) requires improvement to ensure that documented time frames within internal and international guidance documents are adhered to. The Branch is currently developing a technical procedure to ensure that assessment activities are performed pursuant to established time frames and in keeping with those outlined in internal and international guidance documents. Partner agreements will be revised by November 2009.</p>

Recommendation	Response
<p>68. The Standards Council of Canada should have a process to review all primary and program documents on a regular basis to ensure that they remain up-to-date and reflect current international standards. (65–67)</p>	<p>The Corporation agrees with this recommendation. The Conformity Assessment Branch’s Quality Management System (QMS) requires improvement to ensure that all primary and program documents remain up-to-date and reflect current international standards. A phased approach is being used to update our CA Branch documents. Phase 1 is the development of a Conformity Assessment QMS Quality Plan. This plan has been written and approved. Phase 2 is to develop the timing required to review all primary and program documents as part of the plan. This will be completed for each program by June 2009. Phase 3 is scheduled to be completed by January 2010 for all programs to ensure that the documents remain up-to-date and reflect current international standards. In addition to this, a procedure will be developed and written by October 2009, which requires the review of all primary and program documents on a regular ongoing basis.</p>
<p>International and national activities</p>	
<p>83. The Standards Council of Canada should monitor the frequency of staff abstentions, identify their causes, and take appropriate action. The Corporation should consider the use of other indicators, in addition to voting, to assess the performance of technical committees. (80–82)</p>	<p>The Corporation agrees with this recommendation. The Corporation’s monitoring over the past five years indicates substantial improvement, with more possible. It is moving toward evaluating and recording the reasons for the abstention to determine patterns and finding appropriate actions to further improve. The topic will be addressed at the Standards Leadership Forum (includes chairs of Canadian national committees and sub-committees) in August 2009 for awareness and discussion.</p>
<p>88. The Standards Council of Canada should set a time frame for approving submitted standards as National Standards of Canada, keep track of its performance for approving standards, and take appropriate measures to improve its performance if required. (84–87)</p>	<p>The Corporation agrees with this recommendation. The Corporation has put in place an electronic forum (confidential to each standard development organization (SDO)) that permits electronic processing from the initial application through to the approval. A feature of the application is periodic (weekly reports) to management and the SDOs on the status of each submission. This will provide the basis for a dialogue with the clients on appropriate performance levels. As of April 2009, we have completed the internal trial phase and are now in trials with the SDOs.</p>

Recommendation	Response
Human Resources	
94. The Standards Council of Canada should complete and implement its succession plan. (89–93)	The Corporation agrees with this recommendation. A report on the Corporation’s plan will be provided to the Council’s Corporate Governance Committee in June 2009.
Information technology	
99. The Standards Council of Canada should develop a more formal testing plan that periodically tests all critical applications. (95–98)	The Corporation agrees with this recommendation. The Corporation’s Information Systems Division will undertake development, execution, and maintenance of an application testing plan, beginning in April 2009. The Corporation is preparing for this plan, which will include disaster recovery and business continuity planning.