

A Review of "Effectiveness: Reporting and Auditing in the Public Sector"

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The three big lies are most commonly described as:

- "The cheque is in the mail."
- "I'll respect you in the morning."
- "I'm the auditor and I'm here to help."

This characterization is usually unfair. More often than not, the above statements are either true or at least made in the belief that they are so. In particular, audit clearly plays an essential role in ensuring good management and proper accountability.

Nevertheless, one has a right to be skeptical when hearing a statement such as the above. The onus should be on anyone making such a statement to fully prove or support it. The Canadian Comprehensive Auditing Foundation (CCAF) in its publication: *Effectiveness: Reporting and Auditing in the Public Sector*, proposes a greatly expanded role for auditors, involving the auditing of effectiveness. It is my view that despite the best of intentions, CCAF has not documented the benefits of its proposed approach.

Confusion of Means and Ends

What are the intended objectives of CCAF's proposal? I had difficulty in finding any clear statement about its intended objectives or effects anywhere in the summary or text. CCAF proposes that: "management make representations on effectiveness and that auditors provide opinions" (p. 15) on their fairness, primarily for the purpose of giving legislators "better information to help them discharge their responsibilities" (p. 70).

But reporting, providing "better information", is an *activity*, not an *outcome* or *effect*. Better information for what intended ends? This is an essential question evaluators ask of programs which they evaluate: to look not just at what programs are *doing* (activities) but the *outcomes* and *effects* of these activities. For example, this distinction is an essential feature of the Office of the Comptroller General's *Guide on the Program Evaluation Function*. But it is never addressed in CCAF's proposal.

One could argue that: "to help [legislators] discharge their responsibilities" and "improving management and accountability in the area of effectiveness" (p. 5) are statements of objectives. But at this level of generality, the impacts are vague and unmeasurable, analogous to information programs which offer "better information to teachers to help them discharge their responsibilities" or "information about drugs to teenagers to help them be more responsible".

CCAF's apparent lack of understanding of the distinction between activity and effects with respect to their *own* proposal leads them to confuse the two in the overall approach they recommend for others to follow. Their

report acknowledges that "neither in practice nor in the literature is there overall agreement on what the term effectiveness means" (p. 20). But central to its recommended approach is a reporting framework using 12 "attributes" of effectiveness. This list of attributes, however, combines indicators of outcome and impact (e.g. achievement of intended results, secondary impacts) with indicators of process (e.g. management direction, working environment, costs).

Management, to be sure, must take into account considerations of process as well as those of outcome. But by mixing these together holus-bolus, CCAF muddies the all-important distinction between means and ends, between what an organization is *doing* (its activities) versus what it is *achieving* (outputs and effects). The CCAF proposal does a disservice to the cause of results-oriented management by lumping all these together, and in spite of its promise of a focus on effectiveness, it is in fact a step backwards.

Adversarial vs. Utilization Focused Approaches to Evaluation

This confusion between activities and objectives and the absence of a clear, objective statement of intended effect have led CCAF to fail to consider alternative approaches, other than an expanded role for the auditor, to accomplish the goal of "supporting sound management in the public sector" (the goal referred to by Greg Mason, Canadian Evaluation Society President, in his letter to CES membership about the report). Adversarial and audit-driven approaches to evaluation, by design, put managers on the defensive.

In some cases, this is appropriate. However, the literature on evaluation utilization strongly indicates that utilization is greatest when evaluations actively *involve* managers and other stakeholders co-operatively in the process. Utilization tends to be greatest when evaluations are designed not to check up on managers, but rather to assist them by providing feedback on what is and is not working well, why or why not, and what steps they could take to improve the program.

And what is the best way of using scarce funds for evaluation for "supporting sound management in the public sector"? By providing still more documentation (this time, of course, presented in a "useful" format) for busy legislators to read—the thrust of the CCAF proposal—or by providing objective feedback to managers in a manner which results in the improvement of the quality of programs? And which might be of greater interest to legislators?

There is no one right way to do evaluation across all contexts. There is plenty of healthy controversy among evaluators regarding the relative merits of different models of evaluation, and it is appropriate that the CES encourage debate and discussion. It is *not* appropriate for assessment of effectiveness across all public sector organizations to be dominated by just one of these models as the CCAF proposes.

Appropriate evaluation techniques encompass a range of quantitative and qualitative approaches. CCAF's description of evaluators as forming part of the "measurement community" appears to place a clear bias on which methodology they view as acceptable. While evaluators use a range of

methods to assess program effectiveness, central to these is an understanding of the concept of causality, strongly rooted in the logic of the social sciences rather than in accounting. Most evaluators in public service organizations have encountered impressive looking but psychometrically invalid quantitative rating systems "to satisfy the auditors". Will we see more of these if CCAF's proposals are adopted?

CCAF does acknowledge that "some specific skills related either to the subject matter or to program evaluation *may* be required *in addition* to the traditional audit expertise" (p.125, emphasis added). But as this and other statements imply, it is clear that CCAF intends financial accountants to take the lead and make judgements such as what constitutes "sufficiently rigorous measurement and reporting practices" (p. 12). Is this lead role appropriate?

Misrepresentation of Organizational Structure and Dynamics

CCAF acknowledges the importance of management support for its proposals:

"It would be unrealistic to expect that the concept could be successfully implemented if managers do not see it as a part of their prerogatives that benefits them directly (p. 35)... Where managers do not actively participate in the design of a measurement project, the resulting report is unlikely to be as useful as it might otherwise have been" (p. 59).

Nevertheless, while the report speaks throughout of "managers", a footnote indicates that this refers only to deputy ministers or equivalent! I could only find one paragraph in the report which acknowledges that there is indeed a "hierarchy of management". And the brief section in the report regarding methodology indicates that no one below the rank of deputy minister was consulted in the course of the study!

Thus CCAF's proposal is based upon the fiction that no one other than Chief Executive Officers makes decisions or has a significant role to play in organizational effectiveness.

It is well documented, as CCAF acknowledges in the above quote, that systems imposed on staff without soliciting their support—as well as their practical suggestions about how these might *actually* work—will almost certainly meet with resistance and encounter problems in implementation. Even when systems are somehow imposed on line managers and staff, the resulting costs in morale and effects on other work are likely to be high. Public—and private sector organizations—are full of examples of systems designed by well-intentioned outsiders which have backfired in large part through a failure to consult with those within the organization who would be faced with trying to make them work.

CCAF also makes the assumption that organizations act, or should act, exactly as described on formal structures and reporting forms. For example, they indicate that their "approach involves reliance on systems, practices and controls that surround the collection, consolidation, consideration and reporting of information" (p. 125). However, any student of organi-

zation knows that informal structures, channels of communication and methods of operating also exist, indeed must exist, in any organization which is not totally stifled by rules and regulations. These are at least as important to the functioning of an organization as are the formal structures. An effective manager not only knows how to play by the rules but also how to get around them when necessary to get the job done. This reality of organizational culture presents no problem for evaluation approaches, but lots of problems for CCAF's auditing model.

Also, in spite of claims to the contrary and its use of neutral language (e.g. "Deputy Heads", "governing bodies"), CCAF's proposal is clearly based upon the federal government context. Yet it suggests that its proposal should apply at *all* levels of government, Crown corporations, and also for voluntary organizations, large and small, which are supported by public funds. Having worked at all these levels, it is clear to me that organizational contexts and operating environments vary tremendously and no single system can be appropriate for all contexts.

Cost Benefit Considerations

Only two paragraphs in the text, repeated in the summary, address at all the costs of CCAF's proposal. And what do they conclude?:

"The costs of providing management representations with audit assurance cannot be estimated with any degree of precision. . . . The cost of management representations will therefore usually be incremental and not need to cover the building of complete new infrastructures. The Panel believes that the value to be derived from this approach will far outweigh any associated additional costs." (p. 74)

Thus CCAF admits that they have not considered in any detail the costs of their proposal, but feel that any costs will be outweighed by the benefits. Benefits, as indicated earlier, which they have neglected to identify clearly, in outcome terms. How many proposals to government on other topics would receive serious consideration if presented in this way?

But there is every reason to believe that both the direct and indirect costs of CCAF's proposal will be substantial. Indeed, this is one reason why most jurisdictions in Canada have so far shied away from comprehensive auditing.

In spite of their conclusion, CCAF does, in a roundabout way, acknowledge that costs will be very significant in many cases, e.g.: "The decision to use this approach involves a substantial amount of effort to refine the concept and make it work satisfactorily in each specific context (p. 17). . . . For some organizations, this amount [of preparatory work] will be substantial." (p. 27)

And because CCAF attempted no analysis of costs, they have not made any attempt to look at other related costs. For example, many person-years will be required within any complex organization such as a federal or provincial government department, by many different staff at different levels, to: collect information, put it into the correct format, discuss it internally within the department (yes—some discussions over the substance

of the information, but probably much more over style, regarding presentation and organization to avoid criticism from auditors) and ensure that everyone in the department is preparing information in the same way (even though this will be more appropriate for some programs, less so for others). Staff in each organization will need to co-ordinate all the above, to somehow distill information from dozens of programs into a brief summarization (at the "highest meaningful level"), to meet with auditors reviewing the material, etc. etc.

Implementation of the CCAF proposal would also require substantial increases in the staffs of audit groups. While the report does not address this factor specifically, it does acknowledge it indirectly.

And because CCAF has failed to specify the intended benefits of their proposal in outcome terms and has neglected to consider any alternatives other than an expanded role for auditors, any form of cost effectiveness analysis is impossible.

Conclusion

Most evaluators, and auditors, would—rightly—be quite skeptical of any program proposal which stated its intended benefits only in vague general, motherhood terms and said in effect: "We don't know what this will cost, but we don't think it will be that bad and in any case the costs will be outweighed by the benefits." Yet that is exactly what the CCAF report does, in a proposal to greatly expand the role of the auditor.

Auditors have traditionally looked at what programs *do* and how well they record their activities in prescribed formats. Evaluators have traditionally gone beyond this to examine the impacts of programs. Despite the rhetoric of effectiveness, there is nothing in the CCAF proposal which would change this limited vision of auditors.

"I'm the auditor and I'm here to help." Well, maybe. But one has a right to be skeptical. "Prove it," evaluators and auditors ask regarding proposals of others: "Don't just expect us to take your claims on faith." When auditors put forth proposals of their own, as in this case, they should do the same.