

THE ROLE OF THE OFFICE OF THE AUDITOR GENERAL IN CANADA AND THE CONCEPT OF INDEPENDENCE

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■ I'm very honoured to speak before such a large and distinguished group of evaluation professionals. Though some could consider this rather intimidating, I trust you won't be too rigorous in your evaluation this morning!

When I first received your invitation, I must admit I wondered why you wanted a legislative auditor to deliver a keynote address at an evaluation conference. But then I realized that this was very much in keeping with your conference theme of "Crossing Borders, Crossing Boundaries."

In this world of so many borders and boundaries, it is refreshing to see a group that is actively trying to look beyond what divides groups to what unites them, and that recognizes that differences can offer opportunities to think about our respective disciplines in new ways. I'm particularly delighted that this year's conference is once again bringing together both Canadian and American perspectives on evaluation. I have no doubt that Canadians and Americans have a lot to learn from each other in this area. Et, toujours dans cet esprit qui nous pousse à franchir les frontières et à repousser les limites linguistiques, permettez-moi de souhaiter la bienvenue aux collègues francophones qui sont avec nous aujourd'hui.

From my perspective, audit and evaluation are really two sides of the same coin — they are both critical to public sector accountability. That's why I'm here today, and that's the message I hope to leave with you.

When I say “audit,” what I'm referring to is one form of legislative auditing done in the Canadian federal government that used to be called value-for-money auditing and is now called performance auditing. Performance audits examine the practices, controls, and reporting systems used in the management of federal activities. They are carried out by independent practitioners in accordance with professional standards. The other form of legislative auditing is the more traditional financial audits that are similar to the type done in the private sector. These examine whether the government is keeping proper accounts and records and presenting its financial information fairly in accordance with its accounting policies.

When my Office carries out performance audits in government, what we are ultimately seeking to promote is *well-managed* and accountable government. This benefits taxpayers and citizens. When evaluations are carried out in government, they are generally designed to answer the question: Is the money spent on programs and services that lead to results? What this supports is *effective* and accountable government, which also benefits taxpayers and citizens.

In addition, audit and evaluation share important qualities:

- Both involve examining, measuring, and reporting on some aspect of a project or program.
- Both are evidence-based — relying on the collection and analysis of data to support conclusions.
- Both require professional judgement to define the criteria and measures for assessing performance.
- Both require trained professionals, often working in multi-disciplinary teams.

But at the end of the day, what I think is most important to both audit and evaluation is the independence of those doing the examining. By this I mean when examiners have no stake in the outcome of the examination and issue reports that are faithful to the facts and data. Both auditors and evaluators need to be immune from the undue influence of the organizations being examined. If they're not, they risk producing biased judgements, which do a disservice to everybody.

OVERVIEW OF MY ROLE

Today, I'd like to discuss my role as Auditor General of Canada and the independence of the Office. I'll talk about how we preserve that independence, and how it is vital to everything we do.

I have now been Auditor General for more than four years. Frankly, when I stepped into this position I had no idea what was in store. And there *have* been a few surprises, to be sure. But I can tell you that I still wake up every morning thrilled to have my job. Actually, I don't really think of it as a job. It's more of a public trust. I feel honoured and privileged to serve my fellow Canadians in this way.

I've had the good fortune to meet people in practically every corner of the country and from many walks of life. And, as you might expect, these encounters have given me a pretty good idea of what they expect from their government. Through the taxes they pay, Canadians foot the bill for government programs and services, such as old age security, international development assistance, and environmental protection. And they want assurance that these programs are managed well. They want to know that government is spending their hard-earned money wisely. And they want to feel confident that the officials of government are honest and ethical. Canadians want to hear — in language they understand — what government is trying to do, what it expects to achieve, and how well it is progressing to meet its targets.

And that brings me back to my role. As a legislative auditor, my main role is to look critically at government operations and provide independent and reliable information about how well they work. In carrying out that role, I act as a servant of the Parliament of Canada. In the Canadian system of government, one of Parliament's most important roles is to hold the federal government to account for its use of taxpayer dollars. Our performance audits provide information about the way government activities are managed and make specific recommendations for improvement.

They answer such important questions as:

- Did the government collect or spend money as authorized by Parliament?
- Did the government comply with its own rules in the spending of public funds?

- Were public assets protected?
- Were government expenditures made with due regard for economy, efficiency, and environmental impact?

We make recommendations in our audit reports, but, unlike our counterparts in some other countries, such as France, we have no power to compel departments to act on them. Nor can we ask the courts to do so. Instead, we work with and through Parliament to make a difference.

COMPARING THE OAG AND THE GAO

For the benefit of our American friends in the audience, I should explain that the body most similar to my Office in your country is the GAO — the Government Accountability Office — which is currently headed by David Walker. And while the offices have much in common, we diverge in key areas — which is not surprising given that the two countries have quite different political systems.

A major difference relates to the choice of what to audit. Your Congress and its committees can initiate investigations and inquiries, and can ask the GAO to undertake specific audits. In my Office, we only rarely respond to suggestions for audits made by politicians and major stakeholders. Instead, we select our audits using a systematic and risk-based approach, and we plan our audits several years in advance. Another key difference is that in the United States, performance auditors in the GAO also evaluate the effectiveness of programs. In Canada, we don't. As I said earlier, our mandate and legislation specifically requires us to consider "economy, efficiency, and the environment" in our audits. In the Canadian government, measuring the effectiveness of programs is considered a responsibility of management. It is the evaluator's role to help management measure the effectiveness of programs. As auditors, we examine only whether the government has the means in place to measure that effectiveness.

DISPELLING MISCONCEPTIONS

In Canada, there are a number of common assumptions about the Office of the Auditor General that need to be dispelled. *One is that I'm a government watchdog.* I'm not. Parliament is the watchdog. MPs and Senators use the information we provide to scrutinize gov-

ernment spending and performance and to question or challenge the government on behalf of Canadians.

So, in essence, as a legislative auditor, it is *my* job to help parliamentarians to do *their* job well. To do that, my Office has to gather and make sense of a great deal of data. We audit more than 100 federal government organizations ranging from small boards to large complex organizations. We also audit some 40 Crown corporations, such as the Canadian Broadcasting Corporation, as well as the governments of Nunavut, the Yukon, and the Northwest Territories, and some 20 territorial corporations and agencies. We publish the results of some 30 performance audits in four reports to Parliament every year. During my time as Auditor General, we've looked at such diverse issues as national security, First Nations' housing and education, and salmon stocks and aquaculture.

Now, you might wonder why we are auditing salmon stocks and aquaculture. Well, the answer to that question is contained in the second fact I'd like to make clear today. *Our performance audits extend to auditing environmental issues – in fact, I'm proud to say that my Office is a world leader in this area.*

We began doing environmental audits in the early 1990s. In 1995, an amendment to our legislation extended performance audits to include the environmental impact of government decisions. The new legislation also created the position of Commissioner of the Environment and Sustainable Development within my Office. Today, that position is held by Johanne Gélinas. Along with her team, the Commissioner audits how well the federal government is doing in meeting its commitments to sustainable development. And she reports to Parliament once a year on her findings.

That highlights the third fact I'd like to share with you about my job. As Auditor General, I am responsible for looking at how the government *implements* its policies. But, it's not my role to question the actual *merits* of those policies. This is an important distinction. For example, when we audited the Canadian Firearms Program – which the Canadians here will have certainly heard about – we focused exclusively on how the program was being managed. We raised concerns about the escalating cost of the program and came to the conclusion that the Department of Justice had not provided Parliament with the information it needed to effectively scrutinize the program, which is vital to accountability. We did *not* comment on the government's gun control policy itself. We have no opinion on that.

There is a fourth interesting point about the role of my Office. *Despite what many people believe, my mission is not to put organizations under a magnifying glass in order to expose waste and boondoggles and discredit government.* My aim is rather to bring to light information that will improve the management and accountability of government. That intention is reflected in the way we choose what we're going to audit. We don't set out with an agenda to confirm suspicions about flaws or weaknesses. Rather, we pick our topics after doing thorough risk assessments of the activities federal departments and agencies are involved in. And we focus on the areas where the risks are greatest. We ask such questions as: Is this program costing taxpayers a lot of money? Could it threaten the health and safety of Canadians if something were to go wrong?

Now, there's no denying that our audits reveal areas where things are going wrong, or are not going as well as they should be. In these cases, we suggest improvements that can be made. Essentially, we view audits as learning tools. From our point of view, what matters most is that people take steps to fix inefficiencies and address weaknesses — or that they learn from the best practices of others. Those are the types of positive actions we encourage.

That brings me to the fifth fact I'd like to share today. *I'm very pleased to say that our work does make a difference for Canadians.* From time to time, cynics complain that after my reports get media attention, nothing else happens. Well, I beg to differ. The government does take action in response to our reports. The first destination for our reports isn't a shelf somewhere — they go directly to Parliament. Once the reports are tabled there, they are turned over to a committee of the House of Commons called the Standing Committee on Public Accounts. Some people call it the "accountability committee" because it conducts hearings on our audits in an effort to hold the government to account for its performance. I appear before the committee to answer questions, along with senior public servants from the audited organizations. Afterwards, the committee may table a report in the House of Commons that includes recommendations to the government. The government is expected to respond in writing about what it proposes to do within 120 days.

So, it is up to Parliament's committees to ask the government to take the needed action — and then it is up to government to put things in motion. It is true that the public doesn't hear nearly enough about the steps government takes to improve things. Why? Probably because

good news doesn't sell as many newspapers. When we see signs of progress, we take great pleasure in telling the story and applauding the achievement. In fact, once a year we publish a report that focuses exclusively on how government has responded to past audits.

INDEPENDENCE

Another fairly common assumption is that the government of the day pressures me — one way or another — during my audits. And that I have to be very strong not to yield under its pressure. That is absolutely not the case. All players in the system respect the Auditor General's unique and independent role. Independence is vital to our credibility and our effectiveness. While I report directly to Parliament, I am independent of Parliament. And, while I report on the activities of the federal government, my Office is not part of the government.

The mandate of my Office is established by statute, and there are several safeguards in place to protect it. For example, the Auditor General is appointed for a 10-year, non-renewable term and can be removed only after both the House of Commons and Senate pass a resolution. I can also choose what to audit, when to audit, and how to audit. I have the right to ask the government for any information required to do the job, which constitutes a broad power to access information. My Office has the freedom to recruit its own staff. Finally, I submit my reports directly to the House of Commons, through the Speaker.

These are the structural and external factors that preserve the independence and autonomy of my Office. There's another set of safeguards as well, and they include our rigorous approach to quality assurance and our ultimate allegiance to a professional discipline. The capacity to maintain an independent state of mind and stay faithful to the evidence in our work is partly a function of our independence as professionals. All our work conforms to the standards of the Canadian Institute of Chartered Accountants. (The U.S. equivalent is the American Institute of Certified Public Accountants.) We supplement these standards with guidance on issues specific to legislative auditing, such as compliance with authorities and public reporting.

We aim to build quality into our products at every stage of the audit process. My staff is made up of multidisciplinary professionals who are trained in audit. They range from accountants to engineers

and statisticians to people trained in the social, environmental, and management sciences. We rely upon external advisors, including specialists, and senior staff of the Office to advise audit teams at crucial stages of the audit process. These advisors help identify potential issues, advise on scope and objectives, and discuss the first drafts of reports. On each audit, an Assistant Auditor General acts as a peer reviewer to maintain quality standards. As we prepare our reports, the departments being audited comment on the factual accuracy of our work and express any differences of opinion. They also provide a formal response to our recommendations, which we include in the published report. In short, our audit process provides assurance that what is found and reported is factual and complete.

Our meticulous adherence to methodology and professional standards stood us in very good stead throughout the events that followed the tabling of our audit of the government's sponsorship program and advertising activities in early 2004. The Canadians in the audience will know that this was an audit that resulted in both parliamentary hearings and the appointment by the Prime Minister of a Commission of Inquiry headed by Mr. Justice John Gomery, who will be issuing his report shortly. The parliamentary hearings that followed our audit were a testament to our independence, as well as the quality of our work. When we appear as witnesses before committees, we can be challenged on our audit findings. So it is critical that we can back up every statement we make. We go to great lengths to prepare documentation that supports or, as we say, substantiates our findings. For each of our audits, we compile cross-referenced binders that identify the sources of information relied on for each paragraph in our reports. During the parliamentary hearings into the sponsorship program in March, certain witnesses challenged and attempted to refute our findings.

I'm pleased to say, though, that in its final report on those hearings, the Public Accounts Committee found that (and I quote) "the overwhelming weight of the evidence ... consistently confirmed and strengthened the observations and conclusions" made by our report. In fact, the committee went out of its way to commend and congratulate the Office on the quality of our work, noting our rigorous and painstaking methodology.

We were the first witnesses to appear before the Gomery Commission in September of 2004 and among the last to appear in 2005 as well. The Commission subpoenaed our substantiation binders. We were

questioned for several days, and I am pleased to say that again our work held up to the intense scrutiny of the various parties in those hearings.

Another way our work has been tested is through external reviews. In 2003 we voluntarily subjected ourselves to an external review of our performance audit practice. The review was conducted by a team made up of our peers from other national audit offices. It was led by the National Audit Office of the United Kingdom and included representatives from France, Norway, and the Netherlands. I'm proud to say that we were the first national audit office in the world to request such a review. And I'm happy to say that the review confirmed that our practice reflected professional standards and was operating effectively. Our audits were found to provide independent, objective information that members of Parliament can rely on. It also identified a number of good practices, as well as some opportunities for improvement, which we are acting on.

This independent review confirmed the soundness of our practice and provided additional assurances about our integrity and accountability, adding credibility to our efforts. I'm also pleased that this model of review has been adopted by other audit offices. Our office recently led the review of the GAO, and reviews of other national audit offices are in progress or planned.

CONCLUSION

Ladies and gentlemen, in my time with you today, I've tried to capture the essence of legislative auditing and stress the importance of independence.

While the processes and goals employed by audit and evaluation may differ in some respects, I do believe that they can be seen as two sides of the same coin. They both play a critical role in supporting public sector accountability. As legislative auditors, our credibility and independence rely in no small measure on our consistent and structured approach to our audit work, and on our quality assurance framework and the professional standards from which they derive.

Professional standards provide an anchor when the practitioner is buffeted by storms of controversy, because the professional practitioner can refer to those standards as the source of authority and basis of action and decision-making. Unwillingness to compromise

an ultimate professional loyalty to those standards provides a form of independence.

Of course, these thoughts are based on my own experience and observations. I'm interested to hear your impressions. Through dialogues like this, we can work to cross the borders and boundaries between disciplines and find common ground that strengthens us all. A willingness to learn — to be open to change and improvement — is what we demand of others. We can ask no less of ourselves.

Thank you very much for your time and attention. It has been a pleasure to be here. C'est sur cette note que je terminerai mon intervention. Ce fut un grand plaisir pour moi d'être avec vous aujourd'hui.

Sheila Fraser has been Auditor General of Canada since her appointment in May 2001. For her noteworthy service to the auditing and accounting professions, she was awarded the Prix Émérite 1993 and the designation "Fellow" by the Ordre des comptables agréés du Québec in 1994 and by the Institute of Chartered Accountants of Ontario in 2000. She received the Governor General's medal commemorating Canada's 125th anniversary in 1992. She currently chairs the Working Group on Environmental Auditing and the Sub-Committee on Independence of Supreme Audit Institutions, two committees of the International Organization of Supreme Audit Institutions (INTOSAI).