

**ADDRESS BY
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**"How Performance Auditing Serves The Parliament Of Canada; and
Federal-Provincial Cooperation Among Legislative Auditors in Canada"**

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Thank you for those kind words of introduction. And thank you for inviting me to talk to you today.

Strong oversight by Parliament is an indispensable element of effective democratic government in Canada.

I would like to spend these next few minutes discussing how performance auditing in our country contributes to this process.

Oversight by Parliament and its committees has two dimensions.

First, it means holding the administration of government accountable for the delivery of programs.

Second, it requires government officials to be transparent in what they do. Put simply, transparency encourages responsible behaviour.

The Auditor General of Canada provides information to Parliament to help Parliament hold government officials to account for their stewardship of public funds.

The information that we provide comes from our audits of government operations.

Provincial audit offices are quite separate from our federal office, but operate in a similar manner. I will touch on federal-provincial cooperation towards the end of my remarks.

Unlike some legislative audit offices in other lands, that have the power to force change, the power of Canadian legislative auditors lies in how well they work with their legislatures and with their oversight committees.

At the federal level, the Office of the Auditor General of Canada has developed a solid and trusting relationship with Parliament and with its main oversight committee, the Public Accounts Committee.

I will refer to this committee by its acronym PAC.

This relationship adds teeth to the results of the work we do.

It is based on public hearings that the PAC holds to question government officials about the issues that we raise in our audit reports.

I would like to discuss briefly the various types of audits that we conduct, and how they are reported to Parliament.

Essentially, we conduct three types of audits in Canada – financial, compliance and value-for-money.

The latter type is generally referred to as performance auditing internationally, and I will use that term in the remainder of my remarks.

Let me start with a bit of history. 125 years ago, the Parliament of Canada created the office of an independent Auditor General to audit and report to the legislature on the quality of financial information in the government's books of account.

For the first hundred years of our Office, financial and compliance audits constituted virtually all of the work we did for Parliament. Let me describe both.

Financial audits include assessing and reporting on the credibility of the government's financial statements.

The audit question is whether these financial statements can be believed.

If they can, we issue what is called a clean audit opinion.

If the financial statements cannot be believed, we include reservations in our audit opinion to explain why.

Our audit opinions are included with the financial statements to which they relate, in a manner similar to that found in the business world.

Financial audits also include examining and reporting on whether essential financial controls over public funds have been established and are operating properly.

The results of these audits are included in one of the four reports to Parliament tabled in the House of Commons each year.

The second type of auditing that we do in Canada is compliance auditing.

This involves determining whether various authorities granted by Parliament -- particularly authorities to spend, borrow and raise revenues -- have been adhered to (or complied with) by government officials.

The results of compliance audits are also included in one of our four reports to Parliament tabled in the House of Commons each year.

Now let's talk about performance auditing.

Towards the end of the century, in the early 1970s, it became evident in Canada that financial and compliance audits were not providing sufficient information to Parliament to help hold government officials to account.

While financial and compliance audits were important, and continue to be so, they do not sweep in whether value was received for money spent.

In the business world, profitability measures success, and this is traditionally reported in financial statements.

In government, the concept of profitability does not apply.

Another measure of success needed to be found, particularly as governments became larger and their activities more pervasive and complex.

Value-for-money became that other measure of success.

The concept includes three elements.

First, there is economy; were resources acquired at least cost.

Second, there is efficiency; were resources used to generate maximum outputs.

And third, there is effectiveness; did government activities achieve what they set out to do.

In 1977, our federal audit mandate was broadened to sweep in explicitly the requirement to examine and report on issues of economy, efficiency and effectiveness in government operations.

With that, performance auditing began in Canada.

While financial and compliance auditing continue to be important, this broader performance auditing strengthens considerably the information that we are able to provide to Parliament to help it hold government officials to account.

When we audit performance, we look at issues of economy and efficiency, and the ability of the government to assess the effectiveness of its programs and activities.

We also look carefully at the results the government achieves with the resources entrusted to it.

Put simply, Parliament expects government to tell them in simple, clear language what it is trying to do, what it expects to achieve, and how well it is progressing toward those targets.

This matters because the government gets authority from Parliament to carry out its business, and Parliament is entitled to know the results that have been achieved.

It is not good enough to report simply that no one broke rules. Parliament also needs to know whether public funds were managed properly, i.e., with due regard to economy, efficiency and effectiveness.

Over the past thirty years or so, performance audits in Canada have covered a wide range of issues, such as:

- Grants to individuals
- Transfers to other levels of government
- Collection of revenues
- Management of assets
- Management of debt, and more recently
- Protection of the environment.

Performance audits generally take about one year, and are carried out by multidisciplinary audit teams.

Each performance audit includes an advisory committee of subject matter experts from within and outside the Office to help us plan and report our work.

Performance audits are carried out in accordance with generally accepted Canadian auditing standards, as well as more detailed audit methodologies and practices that we have developed within our Office over the years.

One point that I would like to emphasize before moving on is that in Canada, we do not audit or comment on policy choices. Policy choices are for the government and Parliament to make.

Let me illustrate this important distinction with an example.

It is up to the government and Parliament to decide whether, for example, to build a bridge or to regulate banks.

Our job as legislative auditors is to examine and report on how the government built the bridge and how the government regulated the banks.

Let me now turn to how the Parliament of Canada uses our audit reports.

Four times per year, the Auditor General of Canada delivers a collection of about eight or so separate performance reports to the Speaker of the House of Commons for tabling in Parliament.

Upon tabling, these reports are referred to the Public Accounts Committee – the PAC – for consideration.

The PAC then schedules public hearings to consider our reports. Generally speaking, separate hearings are held on each performance report, although the PAC may lack sufficient time to deal with all of them.

Witnesses from the departments that we have audited are requested to appear before the Committee, and we are also requested to appear.

Prior to a hearing, officials from our Office provide briefings to the PAC and its research staff.

At the conclusion of a hearing, the PAC may prepare its own report to the House of Commons, including recommendations that government officials are asked to respond to in writing. They generally have 150 days to do so.

As you can see, a form of partnership has been created in Canada between the PAC on the one hand and the Office of the Auditor General on the other.

Working together, we focus public attention on the management of government, and we encourage improvement where this is needed.

For this partnership to flourish, our Office must identify and report relevant audit issues, and the PAC must consider these issues in public hearings.

If the PAC does not consider the audits that we table in the House, the effectiveness of our function within the Canadian system of parliamentary democracy is seriously impaired.

I would like to conclude my remarks this morning by discussing briefly the cooperation between the federal and provincial audit offices in Canada.

In Canada, the federal and provincial government are assigned a set of constitutionally recognized powers.

Each of our ten provinces have their own legislature, their own public accounts committee and their own legislative auditor.

Provincial auditors general are independent of the federal auditor general.

There is, however, close cooperation among the eleven legislative auditors through an organization called the Canadian Council of Legislative Auditors, or CCOLA for short.

CCOLA is devoted to sharing information and experiences among legislative auditors, and to supporting the development of audit methodologies and practices.

A number of permanent committees and study groups have been formed to manage the organization and to address issues of common interest to the legislative audit community.

For example, there is a group that studies performance reporting and auditing, and a committee that looks at information technology,.

CCOLA has a conference and a mid-year symposium each year.

The eleven public accounts committees – one federal and ten provincial -- also have an annual conference, that is held at the same time and in the same location as that of CCOLA.

Separate agendas and meetings are scheduled of course, but there are also concurrent sessions and meals that help facilitate interaction and learning.

Unlike certain other countries, Canadian legislative auditors do not have the right to audit in each others' jurisdictions.

For example, if the federal government transfers money to a provincial government, the use of that money by the province must be audited by the provincial auditor and not by the federal auditor.

Although we do carry out coordinated audits from time to time with our provincial colleagues, they must respect this basic principle.

At the present time, we have coordinated audits underway with the provinces of British Columbia and New Brunswick on the regulation and management of salmon fishing.

Each of these three audits are quite separate and will be tabled when finished in our respective Parliaments.

However, we are sharing audit methodologies, we are using a common advisory committee and we are hopeful of being able to develop a common over-arching preface that can be included at the beginning of each of the three audit reports.

I am responsible for the federal part of this coordinated audit, and would be pleased to chat with you about it later today.

This brings me to the conclusion of my remarks this morning.

I hope that I have been able to explain how performance auditing serves the Parliament of Canada, and how federal-provincial cooperation among legislative auditors is structured in our country.

I would like to thank you most sincerely for inviting me to participate in this most interesting seminar. And I look forward with great interest to the rest of the day.

Thank you.

