

Improving Government Efficiency

Notes for an Address
by
Sheila Fraser, FCA
Auditor General of Canada

to the

Oakville Chamber of Commerce
13 May 2008
Oakville, ON

Check against delivery

Thank you for that kind introduction. I'm delighted to be here this morning.

As some of you may know, I will be coming up to my first decade as Auditor General in a few years. When that happens, to use a playoff hockey cliché, there will be no tomorrow. Once I reach my 10th anniversary in this job, I have to hang up my skates.

I mention this because the non-renewable tenure of the Auditor General is essential to preserving the position's independence from government. Yet, based on letters and questions I continue to receive, there is still some confusion about my independence, and about that of the Office itself.

Today I'd like to dispel some common misconceptions about what we do and why we do it. I would also like to highlight my Spring report, which was recently tabled in Parliament.

The Role of my Office

Let me begin with some background about the Office.

The first independent Auditor General of Canada was appointed in 1878. Over more than a century, the Office has evolved considerably. Our essential function, however, remains unchanged.

The main business of the Auditor General, not surprisingly, is auditing.

Our role is to provide information, advice and assurance to parliamentarians to help them hold government to account for its use of public funds.

As an Officer of Parliament and the government's external auditor, we audit federal departments and agencies. We also audit all but two Crown Corporations—the Bank of Canada and Canada Pension Plan Investment Board. Some of the crowns on our to-do list include Canada Post, Radio-Canada and Via Rail.

In addition, we audit the three territorial governments and their related agencies. Finally, we audit certain agencies of the United Nations. We are currently the auditor for the International Civil Aviation Organization until the end of 2008, and are now the auditor of the International Labour Organization. These are the only audits where we must bid on a contract and where we charge for our services.

In order to carry out all our audit work, we have an annual budget of 90 million dollars and more than 650 staff.

Our independence

I would like to speak for a few minutes on why independence from government is so essential to our work, and how we maintain this independence.

In our political system, Parliament, the government and the public service are the guardians of public funds used to deliver programs and services that benefit Canadians.

It's the job of my Office—our responsibility—to help Parliament make sure the funds are spent with due regard for economy, efficiency and impact on the environment. We can only do that if we remain independent of government.

There are several safeguards in place to ensure that independence.

As I noted earlier, the Auditor General is appointed for a fixed 10-year term, regardless of changes in government.

This term of office cannot be renewed, which eliminates any perception the Auditor General may seek favour with the government in order to win re-appointment.

The Auditor General also has a broad mandate and decides what audits to conduct.

In addition, I have the authority to ask the government for any information I need to do my work, and I have access to departments, agencies, and Crown corporations that we audit.

With the exception of submitting an annual report before the end of December, I also decide when to report. We present our reports directly to Parliament, through the Speaker of the House.

Finally, unlike federal departments, my Office is autonomous in that I can hire my own staff and contract for specific expertise.

I've dwelled on the nature of this independence because, like other bodies such as the Chief Electoral Officer, we are an Officer of Parliament. By definition, Officers of Parliament are independent and autonomous. It is essential to our effectiveness that we be independent of the government of the day and be perceived as such.

In 2007–08, we, along with the other Officers of Parliament, provided the Treasury Board Secretariat with five “working principles” which we believe should guide the application of government policies to Officers of Parliament. These principles attempt to demonstrate respect for the objectives of the policies while addressing concerns regarding independence.

We will continue to work with the government this year to resolve this matter.

Financial and Performance Audits

Let me move on now to talk more about what we do.

Although there are some variations, we basically perform two types of audits.

On the one hand, we carry out more than 130 audits of financial statements. These include the summary financial statements of the Government of Canada, which—with revenues and expenses each totaling more than \$220 billion—is likely the largest audit in Canada.

Our financial audits are a lot like those in the private sector. The major difference is that we also focus on compliance with laws and regulations.

Our financial audits are important, but they rarely make the headlines. The reports you hear about—and the ones that truly distinguish us from the private sector—are the performance audits.

Whereas a financial audit examines whether government is keeping proper accounts and records, performance audits ask a different set of questions. For example: are programs being run with due regard for economy, efficiency and impact on the environment? And do managers have measures in place to determine if these programs are achieving their intended purpose?

Our performance audits examine most areas of government—everything from human resource management in national defence to the protection of the Pacific salmon, and from the education of aboriginal children to the safety of food products or the quality of drinking water.

Every year, we produce about 30 of these performance audits. I want to stress these reports do not comment on government policy. We don't judge whether programs are delivering value for money or whether policy choices are appropriate; that's Parliament's job. Our role is to tell Parliamentarians how well its decisions are being implemented.

With the creation of the position of Commissioner of the Environment and Sustainable Development in 1995, our responsibilities regarding environment and sustainable development matters increased considerably. As part of our performance auditing work, we also have a team that audits environment and sustainable development issues, monitors how well the federal government is meeting its commitments to sustainable development, and administers an environmental petitions process.

The team is led by the Commissioner of the Environment and Sustainable Development. I'm pleased to say that Scott Vaughan was appointed as the new Commissioner last week.

Although some of our performance reports make headlines, most focus on what would be correctly called management deficiencies. These include the failure of government departments and agencies to evaluate their programs to determine if they are achieving the results Parliament intended.

While the media coverage usually focuses on our more negative findings, we are very happy to report on the government's achievements. Many of these positive results come out in our annual Status Reports, which I'll return to in a few minutes.

It's very important for Canadians to know that government does improve its practices. All that said, I doubt very much you'll ever see a headline in the local newspaper that reads, "Department achieves satisfactory progress."

Some Misconceptions

With such a large and complex mandate, it's not surprising that many people are unclear about what we do. Before I talk to you about our latest audit reports, let me describe some of the misconceptions that are still around.

The first one is that I'm a government watchdog.

In fact, Parliament is the watchdog. I am an Officer of Parliament. As such, I make sure that Parliamentarians have the information, advice and assurance they need to effectively question or challenge the government on its actions.

Misconception number two is that our mission in life is to expose government waste and mismanagement—the so-called boondoggles.

Some people see, or want to see, the Auditor General's report as a litany of horror stories that confirms that the government is squandering taxpayers' money.

And it's true that our audits do find shortcomings. That's the nature of the beast.

But we view our audits as learning tools. And while we do point out where things go wrong, we also try to suggest improvements and promote good management practices.

We all make mistakes and we can all improve. In the end, what counts is acknowledging mistakes and inefficiencies, and then putting a process in place to fix them. This is what we try to encourage.

The third misconception is that my Office can make the government change its position on a policy issue.

We get many letters from people who are unhappy with government decisions. However, the Auditor General does not comment on the government's policy choices. We don't judge whether programs are delivering value for money or whether they are appropriate: that's Parliament's job. Our role is to tell Parliament how well its decisions are being implemented.

For example, when we audited the Firearms Registry, we focused exclusively on its management. The decision about whether the government should or should not maintain the registry is for Parliament to make.

More recently, Canadians have been asking us to audit the government's decision to tax income trusts. They hope we can pressure the government into changing its mind. Again, based on our mandate, it is not our role to determine whether the decision was appropriate – this is Parliament's role.

The final misconception is that our reports sit on the shelf and change nothing in government.

As the cynics have it, the Auditor General makes recommendations that get a lot of media coverage. And then, when the hoopla dies down the next day, the report sits idle on a shelf in Ottawa.

Nothing is further from the truth. When we speak, people listen. And then they do take action.

Sometimes departments even begin to make corrections during an audit, simply because they discover better ways to do things in the course of the auditing process. Or perhaps it's just the fact of being audited that helps focus their attention.

Spring 2008 Report

I would now like to give you a taste of my Spring 2008 report, which was released last week.

Certain chapters received a fair bit of coverage: removal of illegal immigrants, First Nations child welfare program and the conservation of official residences, notably the Prime Minister's residence at 24 Sussex in Ottawa. The Report addresses a variety of issues that affect Canadians. Today, I'd like to briefly mention three others.

I'll start with the government's management of fees.

Fees

In 2006-07, federal departments and agencies reported collecting about \$1.9 billion in fees for everything from a passport to a license for manufacturing pharmaceuticals.

The fee charged for a good, a service, or the use of a facility must take cost into account. We found that Parks Canada is a good example of fee management since it bases entry fees on the full costs of the related programs.

However, we found some federal organizations do not adequately consider cost or, in fact, even know the cost.

The total amount collected from a fee for a service should not exceed the cost of providing that service. In Foreign Affairs and International Trade Canada, however, we found that for a number of years, revenues from the consular services fee—part of the charge for an adult passport—exceeded the costs of the activities set out in the Treasury Board approval.

The Report also notes that important accountability provisions of the *User Fees Act* do not apply to most fees in government—they only apply to the four fees introduced or increased since the Act was passed in 2004. For the vast majority of fees, the organizations are not required to publicly report costs, performance standards, and performance information, or to reduce fees when service standards are not achieved.

All the affected departments have agreed with our recommendations.

Oversight of Air Transportation Safety

Another chapter of the Report looks at Transport Canada, which is changing its approach to the oversight of air transportation safety. This change, which is required by the International Civil Aviation Organization, means that Transport Canada will shift from traditional oversight, such as conducting inspections and audits, to assessing the safety systems that aviation companies themselves have in place.

Let me say first that Transport Canada deserves credit for being the first civil aviation authority in the world to introduce regulations for this new approach. That said, we found weaknesses in several areas.

In planning the transition, the Department did not formally assess the risks involved in the change or forecast the cost of managing it. Nor did it measure the impact of shifting resources from traditional oversight activities to the new approach.

- 1) The first part of the transition affected 74 airlines and aircraft maintenance companies. The rest of this transition process will be more complex to manage, with over 2,000 smaller companies affected.

2) The audit also found that Transport Canada has not yet identified how many inspectors it needs both during and after the transition, and what competencies they should have.

We hope our recommendations will help Transport Canada to complete this change successfully.

Infectious diseases

Finally, let me turn to the Public Health Agency of Canada, created in 2004 to lead federal surveillance of infectious diseases.

Well-informed and rapid public health actions based on effective surveillance can prevent and contain outbreaks, reduce the economic burden of infectious diseases, and ultimately save lives.

When we last examined the Agency in 2002, we found weaknesses in some aspects of surveillance.

In our new audit, we found some of these weaknesses have still not been addressed. For example, except for Ontario, the Agency has no formal data-sharing agreements or protocols with the provinces and territories.

We acknowledged the Agency has been busy with everything that goes along with launching a new organization.

But we also know it needs the collaboration of the provinces and territories to achieve results. That's why these formal agreements are important. They would help ensure the information the Agency receives is timely, complete, and accurate so that it can better respond to a disease outbreak.

The Public Health Agency has agreed with our recommendations.

These are just highlights from the three chapters. There is much more in the report, and I encourage you to read more about these and other chapters on our website.

Conclusion

While it is the job of my Office to be critical, ultimately I believe we have a constructive role to play. We help maintain the confidence of Canadians in government. In so doing, we help build stronger public institutions, a better country, and a healthier democratic society.

I feel very privileged to hold this office. It gives me an opportunity to try to make a difference to the lives of Canadians.

I'd be happy now to take your questions. Thank you.