OFFICE OF THE AUDITOR GENERAL OF CANADA

Accountability Audit Guide

Guidance for use as reference material.
Content may not be current. Use with caution.

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Ce document est également disponible en français.

Introduction

Purpose of this guide

The purpose of this guide is to develop an office-wide understanding of accountability and help auditors identify and audit accountability issues when conducting value-for-money audits.

It will also help them answer the following questions:

- What is accountability?
- How can I, at a high level (for example, during the one-pass planning process), identify potential accountability risks?
- How can I determine, during the survey stage of an audit, if accountability issues should be selected for audit?
- How do I set audit criteria to audit accountability?
- How do I make recommendations for improving accountability arrangements?

This guide comprises five sections. Section 1 provides the context for ensuring public sector accountability and explains important accountability concepts from the Office's point of view. Sections 2 through 5 help auditors identify, select, and audit accountability issues during the various phases of their work.

Prerequisite

Auditors who use this guide should have an in-depth understanding of their audit entity, including its objectives, critical success factors, and its risk profile. This guide is meant to complement our December 2002 Report, Chapter 9, Modernizing Accountability in the Public Sector.

How to use this guide

Auditors who are familiar with accountability concepts, or who have determined that there is an accountability line of enquiry, and they are simply looking for accountability audit criteria, can go directly to Section IV.

Auditors who have questions or concerns, or who need further guidance about this document, can contact the accountability subject matter expert (SME).

Feedback on the clarity and effectiveness of the guide is encouraged.

Section 1—Public Sector Accountability: Concepts and Context

What is accountability?

The Office defines accountability as follows:

> Accountability is a relationship based on obligations to demonstrate, review, and take responsibility for performance, both the results achieved in light of agreed expectations and the means used.

This definition encompasses several ideas, which are expressed in the table below.

The Elements of Accountability

A relationship	Accountability involves two (or more) parties in a relationship that features certain obligations.
Obligations	All parties in an accountability relationship have obligations that imply responsibilities and consequences. In addition to the obligations inherent in the relationship (to demonstrate, review, and take responsibility), others can come from outside (such as legal, professional, contractual, and hierarchical obligations) and from an internalized sense of integrity.
Demonstrate	Demonstrating performance involves proactively reporting what results have been achieved and the appropriateness of the means used; it requires honesty, openness, and transparency. In a hierarchical relationship, this obligation is on the subordinate party.
Review	Review involves analyzing and reflecting on the reported results and the means used, and then taking appropriate action. Each party has an obligation to review. Those accounting should review to learn what is working and what is not, and should adjust their activities accordingly. Those holding to account should direct or call for any needed change. If performance is good, this could simply mean reconfirming current activities or could entail individual rewards. If performance is weak, corrective action would be expected. Review and adjustment of unacceptable performance might involve sanctions on individuals. Review can also result in revising expectations or adjusting other elements of the accountability relationship.
Take responsibility	Taking responsibility emphasizes answering for and accepting responsibility for what has or has not been accomplished and for the means used in the effort.
Results	A key focus in accountability is on the results (outputs and outcomes) accomplished or not accomplished.

Agreed expectations	The agreed expectations stem from either a formal or informal agreement on what is to be accomplished. In a hierarchic situation, one would expect a degree of discussion between the two parties as to what is reasonable and feasible, placing an obligation on the superior party to be clear about what is expected.
In light of	This emphasizes that performance is comparative. One is called on to compare what was accomplished with what was expected. Effective accountability requires disclosure: setting out beforehand what is expected and then reporting against those expectations. It also requires learning: looking *in light of the expectations* at what was accomplished or not, and what has been learned that will improve future performance.
The means used	How one delivers public services, uses authority, and handles public money are more than means of achieving results: they are ends in themselves, important reflections of public sector values and ethics. It is expected that the means used treat people fairly, are undertaken with propriety, and good stewardship–that is, provide best value for money and respect for the environment.

Why is accountability important?

In our democratic system, the people elect the government and the government must be held to account for the way it uses public authority. The Canadian parliamentary system is based on traditional principles of Westminster-style government, that is, ministerial responsibility and accountability. In this style of government, Ministers are individually accountable to Parliament for their own actions and for all aspects of their departments' and agencies' activities. Ministers are also collectively accountable as members of Cabinet for the policies of the government.

Officials are accountable to their ministers, not Parliament, for the operation of their organizations (with a few exceptions). Traditionally, officials remain anonymous. They may be required to explain those operations to Parliament on behalf of their ministers, but they do not answer to Parliament for government policy.

There are two basic types of accountability in government: political accountability and management accountability. Political accountability is the answering by ministers to the House of Commons and by Members of Parliament to the citizens who elected them.

Management accountability is more diffused throughout the government. At the lowest level, public servants answer to their superiors for accomplishing goals and using resources responsibly. Deputy heads answer to ministers for the work and the well-being of entire departments and agencies. Ministers answer to the Prime Minister, Cabinet and the House of Commons for the management of their portfolios. Parliamentary committees can call ministers and public servants to answer for the use of funds voted by Parliament, an important part of Parliament's oversight role.

Strong management accountability requires, among other things, accurate information on what is being spent to achieve specific objectives; information on accomplishments; and reporting that information within departments and agencies and to Parliament. Because ministers are responsible for the administration of their departments, political accountability and management accountability merge at the top of the system.

Transparency is a sustaining element of effective accountability. It means that one can see clearly into the activities of government. Clear, timely information about how money was spent and what it achieved makes it easier for those outside government to monitor and challenge whether spending was fair, proper, and consistent with good stewardship. Furthermore, the knowledge that their actions and decisions are visible encourages public servants and their ministers to behave in ways that can withstand public scrutiny.

Accountability in the public sector is of fundamental importance because it serves:

- to control against the abuse or misuse of power;
- to provide assurance that activities were carried out as intended and with due regard for fairness, propriety, and good stewardship; and
- to encourage improved performance of programs and policies, through reporting on and learning from what works and what does not.

It should be noted that changes in public sector management and governance have put pressures on traditional notions of accountability. Three developments in particular make this clear: the focus on results, and especially on outcomes; the use of partnering arrangements to deliver programs and services; and the provision of managers of public programs (both public servants and their partners) with more flexibility and discretionary authority to be innovative. We believe that these challenges can be addressed.

Just what can ministers and managers reasonably be held to account for, when managing is focussed on results—and in particular on outcomes, over which control and influence are limited? We think they can reasonably be held accountable for demonstrating the extent to which the results they expect are being accomplished, the contribution their activities have made to the actual outcomes, the lessons that have been learned, and the soundness and propriety of their actions.

In partnering arrangements—used increasingly by governments to deliver public programs—accountability can become diffused. In our view, these arrangements require more and not less accountability. Each partner is accountable not only to its own superior or governing body but also to the other partners in the arrangement. Together, they are accountable to their joint co-ordinating body or, in some cases, to the public for the arrangement's operation and success.

A degree of discretion and flexibility allows managers of public programs to take reasonable risks and to be innovative. If it is based solely on compliance with too many and unneeded rules and procedures, accountability cannot easily incorporate risk. Accountability must be able to tolerate mistakes or adverse results, provided that any risk taken can be shown to have been reasonable and the management of the risk to have been sound.

Accountability relationships

There are a range of accountability relationships in the public sector, such as those between ministers and deputy ministers, departments and central agencies, public servants in a hierarchic relationship, between parties in a partnering arrangement, and the federal government and Parliament. Each of these relationships is unique.

Accountability relationships can be categorized in a variety of ways. The following categories may help auditors identify and assess accountability relationships.

Formal/ informal accountability relationships

The formality of accountability relationships varies. Within traditional departments, there is a clearly defined hierarchic structure, beginning with the minister and moving down to the deputy minister, assistant deputy ministers, director generals, managers, and so on. However, not all accountability relationships fit into traditional bureaucratic structures, such as when public servants in separate departments co-operate to meet a specified goal. These relationships may be quite casual and informal, with no documented accountability framework.

Individual/organizational accountability relationships

Accountability relationships can involve individuals and/or organizations. Individual public servants are held to account through the performance appraisal system. Managers are also accountable for the performance of programs under their direction. Organizations are involved in accountability relationships in the sense that performance expectations and performance reporting may be organization-wide.

Internal/external accountability relationships

Internal

There are many accountability relationships within a specific federal department or agency. For example, there is an accountability relationship between the deputy minister and the minister and various federal employees and their supervisors. Internal accountability relationships also can include divisions or branches within a specific federal department or agency that work together to ensure particular services or programs are managed and delivered well.

External

External relationships are those in which a federal department or agency enters into a partnership to deliver federal public policy with one or more organizations or persons that do not belong to that department or agency. In such arrangements, the partners are collectively responsible for the operation of the arrangement, and they share accountability for its success.

When the federal government forms a partnership with other orders of government, non-governmental organizations, or the private sector to deliver programs, it is called a collaborative arrangement. These arrangements have common objectives that are tied to public policy, as well as shared governance, and written agreements on governance and financing. Examples of collaborative arrangements include Canada Infrastructure Works, Labour Market Development Agreements with the provinces and territories, and the National Action Program on Climate Change.

By contrast, delegated arrangements are set up as separate legal organizations that exercise discretionary authority to redistribute public money, use public assets, or deliver public services on the government's behalf. Examples of delegated arrangements include the Canada Foundation for Innovation, Genome Canada, and the Canada Foundation for Sustainable Development Technology.

A partnership between a federal entity and other federal departments or agencies, that is designed to achieve a common objective that cuts across several departments, is a horizontal arrangement. For horizontal issues, no one department has all the authorities, resources, and expertise to manage them effectively. Examples of horizontal arrangements include the Initiative on Family Violence, the Government of Canada Disability Agenda, and the Canadian Rural Partnership.

Accountability principles

There are five essential accountability principles that underlie any type of accountability relationship. The stronger the application of these principles in an accountability relationship, the more effective accountability will be. However, the manner in which these principles are put into practice will depend on the nature of the accountability arrangement, which can differ from arrangement to arrangement. These principles are as follows:

- ***Clear roles and responsibilities***—The roles and responsibilities of the parties in the accountability relationship should be well understood and agreed upon.
- ***Clear performance expectations***—The objectives pursued, the accomplishments expected, and the operating constraints to be respected (including means used) should be explicit, understood, and agreed upon.

- ***Expectations balanced with capacity***—Performance expectations should be clearly linked to and balanced with each party's capacity (authorities, skills, and resources) to deliver.
- ***Credible reporting***—Credible and timely information should be reported to demonstrate what has been achieved, whether the means used were appropriate, and what has been learned.
- ***Reasonable adjustment and review***—Fair and informed review and feedback on performance should be carried out by the parties, achievements and difficulties recognized, appropriate corrections made, and appropriate consequences for individuals carried out.

Auditing for accountability should focus on the extent to which these five principles have been applied in an accountability framework, giving an account, and holding to account.

Accountability principles – examples from past audits

The examples that follow, which are from some of the Office's previous audits, show either a lack of, or the poor implementation of the accountability principles.

Principle: Clear roles and responsibilities

Example:

There is a need to clarify roles, responsibilities and accountabilities of central agencies and departments in the management of work force reductions.... In our opinion, there is now ambiguity about the respective accountability of departments and central agencies in relation to the cost-effective management of work force reductions. The framework proposed for work force reductions states that departments will be held accountable for the prudent and cost-effective management of departure incentive programs. However, much needs to be done to clarify the roles, responsibilities and accountability relationships at the central agency and departmental levels.

Source: Office of the Auditor General, 1998 Report, Chapter 1, Expenditure and Work Force Reductions in the Public Service, paragraph 1.77

Example:

The sorting out of roles and responsibilities was a key concern of the accountability implementation team. The team developed an accountability matrix that identified activities involved in the federal food inspection system. In addition, it identified any overlap and duplication of inspection services among the contributing departments. In this way, the team and the parent departments arrived at a common understanding of future roles and responsibilities of the key players.

Source: Office of the Auditor General, 1998 Report, Chapter 12, Creation of the Canadian Food Inspection Agency, paragraph 12.60

Principle: Clear performance expectations

Example:

The five objectives of the Multiculturalism Program are stated in very general terms. While this is not unusual, the Department has not supported them with more clearly stated and focussed goals and expected results. Doing so would have helped to ensure an appropriate choice of projects for funding and to facilitate measurement of the results achieved.

Source: Office of the Auditor General, 1998 Report, Chapter 27, Grants and Contributions: Selected Programs in Industry Canada and Department of Canadian Heritage, paragraph 27.47

Example:

Accountability is the obligation to demonstrate and take responsibility for performance in light of agreed expectations. Clearly stated performance expectations are part of a governing framework. Despite the identified need for strong, regionally targeted remediation programs to achieve the goal, the provinces never agreed on the specific contributions they would make. The federal government identified the activities it would complete under the 1990 Plan but not the specific reductions in smog levels it expected to achieve as a result.

Source: Commissioner of the Environment and Sustainable Development, 2000 Report, Chapter 4, Smog, paragraph 4.180

Principle: Expectations balanced with capacity

Example:

It is perhaps too early to know if the transfer of assets from the three departments [to CFIA] has achieved the right balance between resources and expectations. Concerns may yet be raised, for example, as to whether the transfer has left [CFIA] and the contributing departments with the appropriate resources to fulfil their respective mandates.

Source: Office of the Auditor General, 1998 Report, Chapter 12, Creation of the Canadian Food Inspection Agency, paragraph 12.60

Example:

The National Child Benefit provides an example of the need for such a balance.... If the smaller partners in the National Child Benefit lack the capacity to obtain accurate and relevant data on program outcomes, and to verify the data, then the federal government or larger provinces could work with the partners, if asked, to help them build capacity.

Source: Office of the Auditor General, 1999 Report, Chapter 5, Collaborative Arrangements – Issues for the Federal Government, paragraph 5.71

Principle: Credible reporting

Example:

The [National Energy Board] will need to change its culture to fully embrace performance reporting. It has no system developed to track results against objectives, or to report periodically to its Executive with suggestions for change. Performance measurement and monitoring in a results-oriented organization needs to be an integral part of management. For performance measurement and reporting to continue to be a positive and productive process, it is important that the NEB monitor its performance strategically, regularly and consistently.

Source: Office of the Auditor General, 1998 Report, Chapter 13, National Energy Board, paragraph 13.92

Example:

We believe it is important that CIDA bring out this dimension in its reporting; the credibility of its reports would be enhanced by a more accurate balance between positive accomplishments and areas where expected results could not be achieved. In the latter cases, CIDA could describe the types of actions it has taken to deal with problems or the way it will apply lessons learned to future projects.

Source: Office of the Auditor General, 1998 Report, Chapter 21, Canadian International Development Agency—Geographic Programs, paragraph 21.46

Principle: Reasonable review and adjustment

Example:

The legislation does not provide any formal review mechanisms to settle disagreements that might arise in matters of shared responsibilities. It is up to [CFIA] and Health Canada to establish policies and protocols as needed to ensure co-ordination of their shared responsibilities. Some steps in this regard have been taken, as described above. In the area of food safety and recall, the Agency and Health Canada have a shared responsibility. They have signed a memorandum of understanding that provides for an annual review, the first of which resulted in a planned amendment to clarify procedures for the investigation and recall of food-borne matters that potentially can cause illness.

Source: Office of the Auditor General, 1998 Report, Promoting Integrity in Revenue Canada, paragraph 12.60.

Example:

In reflecting on the lessons from this audit and previous work that examined recruitment issues and some underlying problems, we have outlined some guiding principles for change.…There needs to be a strong accountability regime with strong consequences for inappropriate or poor management of this key resource…

Source: Office of the Auditor General, 2001 Report, Chapter 2, Recruiting Canada's Future Public Service: Changing the System, paragraph 2.106

The accountability process

The accountability process comprises three essential parts:

- establishing an accountability framework, which sets out accountability provisions for the key parties in a specific arrangement,
- giving an account of performance through credible reporting, and
- holding to account for performance through review and adjustment.

The accountability framework—accountability provisions

An appropriate accountability framework is an essential beginning for effective accountability. Its importance is often reflected in documents that outline specific arrangements for accountability. Documenting these arrangements helps ensure a robust accountability relationship that sets out a basis for assessment and that does not change if individuals in the arrangement change. A good accountability framework should contain the following elements, which are based on the five principles for accountability:

- ***Clear roles and responsibilities***—The roles and responsibilities (the duties, obligations, and related authorities) should be clearly set out. This includes setting out the specific activities and tasks expected of each party and how the relationship is to be managed.
- ***Clear and realistic expected performance***—The parties should understand and accept performance expectations, including what each party is expected to contribute to the end result and what means are appropriate to use. These performance expectations should be balanced with the capacity of each party to deliver the expected results. As well, operating constraints need to be set out.
- ***Reporting requirements***—What is to be reported, by whom, to whom, and when, as well as how each of the key players are to report on their progress should be set out. This includes the measurement strategy to be used. That is, how the required information is to be defined, collected, verified, and analyzed; by whom; and when.
- ***Mechanisms for review and adjustment***—The parties in an accountability relationship need to understand how and by whom performance will be reviewed. They also need to understand when adjustments will be made and under what conditions individuals will receive rewards or sanctions.

Auditors should keep in mind that the elements of an accountability framework may not be found in one document, and instead different elements of the accountability framework may be found in different documents, such as memoranda of understanding, policy agreements, funding agreements, performance agreements, and enabling legislation. Auditors may conclude that the provisions found in these documents make up an accountability framework when they contain the four accountability elements.

Having an accountability framework does not guarantee accountability, although it does enable the accountability process to be more transparent and robust. It also allows the parties in an accountability relationship to understand the parameters of their relationship. As well, a well-documented accountability framework makes it easier for the parties to be held to account.

Example of a weak accountability framework

We found that an appropriate accountability regime for the 1990 Plan was never put in place to clarify the roles, responsibilities and expected performance of each level of government. It was thus unclear whom the public and Parliament could hold to account should the Plan fail.

Source: Commissioner of the Environment and Sustainable Development, 2000 Report, Chapter 4, Smog: Our Health at Risk, Paragraph 4.182

Giving an account of performance–credible reporting

The holding to account process begins with disclosing adequate information to facilitate a review, and ultimately give an account of performance. Individuals who are responsible for delivering a public service or who have public authority have a duty to report both the financial and the non-financial results they have achieved with the public funds that have been entrusted to them. They must also report the appropriateness of the means they used to achieve those results. This might entail reporting on what assurance there is that the means used to deliver the program respected fairness, propriety, and good stewardship. Their reports must be credible, understandable, and timely.

If reporting by public organizations is to be credible, it must be balanced—containing both good news and bad. Expectations are not always met, and sometimes for valid reasons. Credible reports should explain the context of the program, the level of performance achieved, reasons for any shortcomings, and lessons learned.

There are several ways for parties in an accountability arrangement to enhance the credibility of reporting. These include the following:

- reviewing and challenging both the stated expectations and the actual results reported,
- explaining shortcomings in performance and showing what has been learned as a result,
- disclosing the basis on which a report has been prepared,
- ensuring transparency and access to relevant information, and
- having external auditors provide assurance of the fairness and reliability of reported information.

Holding to account–review and adjustment

Review and adjustment, or holding to account, must take place if the accountability process is to be complete. Those responsible for reviewing performance need to consider whether results have been accomplished in light of expectations and circumstances, including unexpected circumstances. Achievements, underachievements, and failures should be recognized. The party who performs the performance review should also assess the extent to which the results were achieved in a manner consistent with fairness, propriety, economy, efficiency, effectiveness and environmental sustainability. The review should be reasonable and fair. It should identify ways to improve future performance as well as possible rewards or sanctions for individuals. Those holding to account should note when expectations have not been met and when there is inadequate evidence that improvements have been made.

Actions that are based on an effective, informed, and fair review could include making adjustments to the program, re-visiting the accountability framework to change expectations, and giving rewards or sanctions to individuals. Sanctions, such as assigning blame to individuals, are appropriate when actions have been unreasonably risky or have violated fairness, propriety, or good stewardship.

Holding to account will only be fair and equitable in the presence of an accountability framework. Without setting clear roles and responsibilities, clear performance expectations, credible reporting, and an effective review process, it is neither fair nor effective to gauge whether acceptable results have been achieved, as there is no way to determine whether performance expectations were met, or what action should be taken.

Section 2—Identification of Risks to Accountability: One-pass Planning

One-pass planning is the Office's method of long-range planning at the entity level that helps teams determine which audit work needs to be done. It is a risk-based approach that focusses on the key, high-level risks an entity may face, rather than on suspected weakness. It is an integrated approach that identifies risk for all of the areas in the Office's mandate, rather than just value-for-money audits.

Accountability is one of the key controls of good governance. Accountability to Parliament is also one of the Auditor General's five focus areas. Accountability is not working well when

- there is no reporting or inadequate reporting on performance,
- there is no serious, informed review of the information reported, or
- there are neither appropriate program changes nor consequences for responsible individuals.

Accountability may also be at risk if:

- there is inadequate transparency,
- there are disputes between parties in an accountability relationship, and
- there is a lack of adherence to public sector values and ethics, such as fairness, honesty, probity, integrity, and commitment to the public trust.

Flagging accountability risks

In one-pass planning, auditors face time and resource constraints when trying to assess if an entity has initiatives or programs with a high accountability risk. These constraints highlight the need for quick, easy, high-level identification of possible accountability risks. That is, it may only be possible to look at three or four high-level warning signs (red flags) that suggest that accountability may be at risk in the management and delivery of programs. These signs could be determined through interviews with entity officials and stakeholders, or through a review of documentation, such as reports on plans and priorities and departmental performance reports.

The first step of one-pass planning involves determining the entity's objectives, expected results, responsibilities, and accountability relationships. For accountability relationships that involve a significant amount of money, are important to the accomplishment of the entity's strategic outcomes, are of significant concern to the public, or could involve the misuse of public money, power or authorities, auditors should assess the extent of the risk. This can be a challenge.

Red Flags checklist

Some high-level red flags that may be used to identify accountability risks during the one-pass planning process include the following:

- Is the entity engaged with others in a partnering (collaborative, delegated, or horizontal) arrangement?
    - Entities often have a diverse number of partnering arrangements, such as with other departments, other governments (international, provincial, territorial, municipal, and first nation), foundations, or private companies. If a partnering arrangement is not well designed, accountability can become diffused, and contain unclear roles, responsibilities, and performance expectations.
    - Within partnering arrangements, risks to accountability can be assessed by examining the (non)existence of an accountability framework, the significance of the contribution of the partners in a program's delivery, the level of independence of the partners, the capacity of partners to meet expectations, and the authorities and accountabilities under which partners operate. When a federal entity engages in a partnering arrangement, it should ensure that accountability to Parliament is maintained.
- Is the information-gathering capacity adequate?
    - Before performance can be reported and reviewed, information must be available to assess performance. Sometimes, within entities and partnering arrangements, the information needed to link activities to outcomes is not available because the mechanisms that are needed to gather information are inadequate.
- Is the entity's reporting adequate?
    - A high-level examination of an entity should involve a review of performance reports to determine whether they provide timely, and adequate information to Parliament to enable holding to account.
- Are there mechanisms for review and adjustment?
    - Reporting on performance is insufficient on its own. Mechanisms for review and adjustment—for holding to account—are also required. This usually takes place within the bureaucratic hierarchy. But when programs, such as partnering arrangements, do not fit that model, mechanisms for review and adjustment should be put in place.

- Does the entity have numerous branches or sectors?
    - Often, departments have numerous branches, which often compete for resources and may not fully co-operate with one another. Roles and responsibilities may be unclear and inadequate.
- Does the entity have regionalized branches that are involved in the management or delivery managing or delivering of programs and services?
    - It is possible that roles and responsibilities may be unclear or the performance expectations of the regional branches may not be aligned with the entity's strategic vision and performance expectations.
- Is there adequate transparency?
    - An sustaining element of accountability is transparency. If transparency is absent, informed scrutiny of performance by anyone outside the entity is impossible. As a result, if the entity is subject to access to information requests, the requests should be completed in a timely and thorough manner. If the entity is not subject to the Access to Information Act, it should have similar provisions for transparency. With some variations, all entities should be transparent to parliamentarians and the public.
- Has the entity recently experienced a transitional phase?
    - If the entity has been in transition, its key personnel may have changed, and there may be confusion about roles, responsibilities, and performance expectations.
- Does the entity have adequate resources and the capacity to fulfil its performance expectations?
    - If an entity does not have the capacity to fulfil its performance expectations, it may not be appropriate to hold the entity to account. As well, a lack of capacity may lead to future program changes, including changes to accountability relationships.
- Is there a high turnover of personnel representing the parties in the key accountability relationships?
    - A high turnover of key personnel could put accountability at risk if the understanding of the accountability relationship is not documented for the new personnel.

These red flags may also be useful during the overview phase of an audit.

It is up to individual auditors to determine whether or not any of the aforementioned accountability risks warrant further investigation. If that is the case, an audit of accountability or a line of enquiry on accountability may be appropriate and should be included in the audit team's one-pass plan.

Section 3—Survey Phase: Selecting Accountability as a Line of Enquiry

The purpose of the survey phase of an audit is to develop an examination plan. It is a broad-based appraisal of the entity's operations that could be audited, without carrying out a detailed verification. Auditors gather information to fine-tune their initial decisions about the audit's scope, cost, timing and skills. They also propose audit objectives, areas that require in-depth review, and set the criteria and the examination approach.

During the survey phase of an audit, teams must decide which areas they will audit—the lines of enquiry they will pursue. It is important to consider accountability as a potential line of enquiry early in the process. It is not uncommon for audit teams to reach an accountability focus for auditing rather late in the audit process (sometimes during the reporting phase), which inhibits the proper planning, examination, and reporting of accountability issues. Consequently, while lines of enquiry may not initially appear to involve accountability, it is worth assessing lines of enquiry for potential, underlying accountability issues.

When selecting issues to be audited, auditors should consider three points: their relevance to the Office's mandate and priorities, the significance of the issues, and the auditability of the issue.

Office mandate/priorities

One of the main functions of the Auditor General is to help Parliament hold the government to account for its performance. This is why the current Auditor General has made Accountability to Parliament one of her five focus areas during her mandate. Nonetheless, auditors should avoid ministerial political accountability and the accountability of other levels of government involved in partnerships with the federal government. This is because the way in which ministers are accountable for policy and provinces are accountable for their programs is outside of our mandate. However, this does not mean that the Auditor General cannot render an opinion about the adequacy of accountability relationships, such as partnerships, entered into by federal departments and agencies.

Significance

The significance, or importance, of an issue affects whether or not it should be audited. Auditors will need to determine if accountability is a significant issue for their audit. The significance of an issue can be assessed with the following criteria:

- impact on results,
- high-level risks,
- material amounts,
- public/parliamentary concern,
- impact of an audit.

Impact on results. Effective accountability entails clear performance expectations and reporting on performance. If appropriate accountability frameworks are not in place, there will not be adequate accountability for results. As a result, auditing for accountability may lead to improved results for Canadians.

High-level risks. The previous section on one-pass planning provides several sources of potential high-level accountability risks in an entity. In the survey phase of an audit, risks will be more specific. Auditors will have to determine how much risk exists within a particular accountability relationship. In general, less traditional structures, such as partnerships, present a greater risk that accountability will not be effective, particularly for partnerships between organizations that do not share common public sector values and ethics. This is especially a risk when private sector partners deliver public programs for the government—especially if they do not have a common understanding of appropriate means to be used, including fairness, propriety, economy, efficiency, effectiveness, and environmental sustainability.

Material amounts. Accountability is not in itself a material issue. However, if programs that involve significant funds do not have adequate accountability controls, there is a danger that public funds will not be spent properly. For example, while there is no evidence of impropriety, the Canada Foundation for Innovation controls over $3 billion of public funds. However, it is an independent, private corporation that delivers public policy with minimal guidance or monitoring from the sponsoring department, and extremely limited means for ministerial intervention.

Public/parliamentary concern. When a scandal occurs, one of the first questions the public and parliamentarians ask is who is/was accountable. Auditing for accountability and pushing accountability issues, should help force the government to make accountability relationships more robust and clearer.

Impact of an audit. The impact of an audit on many of the aforementioned factors, as well as whether the timing of the audit is good. If accountability is at risk in an accountability relationship that involves high materiality and public/ parliamentary concern, then it is likely that the audit will have a significant impact. As well, the audit may point out flaws in an entity or program that may be more generic in government.

Auditability

Auditing for accountability entails gathering sufficient and appropriate evidence so that meaningful observations can be made. Some elements of auditability are as follows:

- practicality/measurability,
- audit team expertise,
- audit criteria, and
- the stability/state of flux of an entity.

Practicality/measurability. Although accountability is not quantifiable, accountability for results involves measuring and reporting performance. Nonetheless, auditing for accountability should be practical because investigating accountability frameworks, reporting, and review and adjustment can be accomplished by reviewing relevant documents and conducting interviews.

Audit team expertise. Most teams in the Office are not experts in auditing for accountability, although, they may have audited one or more accountability elements. This guide is meant to help address this issue. More advice can be sought from the accountability subject matter expert.

Audit criteria. Section 4 of this guide helps auditors develop criteria for auditing for accountability.

The stability/state of flux of an entity. Entities that are unstable or are in a state of flux can be difficult to audit. However, in certain cases some elements of accountability can be audited for such entities. For example, when accountability arrangements are just starting up, it may be too early to audit for reporting, review, and adjustment, although accountability frameworks should be in place.

Section 4–Criteria for Auditing an Accountability Relationship

The information in this section of the guide provides a generic audit program for accountability relationships, should the survey phase of an audit indicate that accountability needs to be addressed. It is not meant to provide a complete audit program. That is, accountability may be one of several lines of inquiry.

This section will help auditors set criteria for auditing for accountability, although it does not state how auditing for accountability must occur. Auditors will have to modify and adapt the following criteria to fit their particular case, especially since some of the criteria are more general than others. Further, some issues of accountability may be more important in a given case than others, and auditors may want to focus only on some of the criteria listed below. Auditors should work with the accountability subject matter expert to decide what is appropriate and sufficient evidence in a given case. Those who are auditing new governance arrangements—collaborative and delegated arrangements—may refer to the governance framework outlined in the Office's April 2002 Report, Chapter 1, Placing the Public's Money Beyond Parliament's Reach, Appendix B for audit criteria.

Audit objective 1: To determine whether or not an appropriate accountability framework is in place

As an accountability framework is an essential beginning for effective accountability, it is a good place to start when auditing for accountability.

Sub-objective 1: To determine whether or not clear roles and responsibilities are set out

Criteria

- The roles and responsibilities of each party—such as third parties who have been delegated authority—are clearly defined and understandable, including legal, human resource, and financial authorities.
- The financial and operational obligations of each party are clearly defined.
- There are adequate mechanisms for assigning organizational responsibilities and resolving disputes, should differences of opinion arise.

Sub-objective 2: To determine whether or not clear and realistic performance expectations are set out

Criteria

- The public policy purposes and key outcomes are clearly stated.
- The specific results expected, the strategy for achieving them, and the time frame for achieving them are clearly and concretely defined. For example, they should include specific targets and permit measurement using performance indicators.
- Baselines are set to measure whether or not expectations have been achieved.
- All parties in the accountability relationship agree upon the performance expectations.
- Each party has the requisite statutory and/or regulatory authority to carry out its expectations.
- Each party has the resources and the necessary knowledge and skills to meet its commitments.
- Operational constraints that might affect whether or not expectations have been met are explicitly stated.
- The appropriate means to be used to meet performance expectations are specified, especially in partnerships, for example, responsiveness to the public, conflict of interest guidelines, sustainable development strategies.

Sub-objective 3: To determine whether or not provisions for credible reporting are set out

Criteria

- The reporting requirements—what is to be reported, by whom, to whom, and when—are clearly specified.
- To what extent and how the reports will be made public are specified.
- The measurement and data collection strategy—how the required information is to be defined, collected, and analyzed; by whom; and when—are clearly defined.
- The standards and practices for providing assurance about the quality of performance data provided in reports are specified.

Sub-objective 4: To determine whether or not provisions for reasonable review and adjustment are set out

Criteria

- Provisions that indicate by whom, how, and when performance will be reviewed and analysed in relation to expectations are specified.

- Mechanisms for adjustments to the program's operational delivery are set out. (The minister should be able to intervene strategically in a partnering arrangement, should the arrangement go wrong or the government change its priorities.)
- Mechanisms for adjustment to the accountability relationship are set out.
- Potential individual rewards and sanctions, and the circumstances under which they will be applied are clearly set out.
- A redress or alternative dispute resolution mechanism, such as an arbitrator or tribunal, is set out for partnership arrangements.

It is up to auditors to decide which documented accountability provisions would be reasonable, given the maturity of a particular program. For example, for a program that is just starting up, specific details about reporting requirements may still need to be determined, although there may be a general reporting provision.

Also, there may not be an expressly articulated accountability framework. That is, provisions that reflect the requirements of an accountability framework may be found in several documents. In this case, auditors will have to decide whether these documents together constitute an adequate accountability framework.

Audit Objective 2: To determine whether or not accountability is occurring

An accountability framework, even a robust one, will not indicate whether or not accountability is occurring. Closing the accountability loop requires reporting on performance, a reasonable review of performance, and appropriate adjustments. This process should result in program design changes that are based on lessons learned and rewards and sanctions for individuals, where appropriate.

Sub-Objective 1: To determine whether or not reporting is credible

Criteria

- The reporting explains the context and purpose of the reporting entity, including the resources used, the risks faced, and the partners involved.
- There is reporting on the achievement of and links between financial and non-financial results.
- The reporting of performance is results-based, demonstrating the contribution of activities and outputs to the desired outcomes.
- The achieved results are compared to the expected results.
- When performance expectations have not been met, the reasons are provided.
- The reporting explains what has been learned and how this has led to modifying the design and delivery of programs.

- The reporting identifies the major challenges and risks faced by the entity and explains the key considerations affecting the capacity to sustain or improve results, as well as meet expectations.
- The results of audits and independent evaluations are reported.
- The reporting discloses the basis on which it was prepared, for example, how data was collected and the measurement strategy that was used.
- There is assurance that the performance information reported is based on credible data that are fair and reliable, the limitations on data quality are stated, and the data are suitable for their intended use.
- The reports to Parliament are based upon and consistent with internal reports.

Sub-objective 2: To determine whether or not there is reasonable review and adjustment

Criteria

- Performance is reviewed in light of performance and circumstance by the appropriate individuals (those who can make changes to the program delivery and to hold others to account).
- The review is timely, fair, and reasonable.
- There is adequate transparency to facilitate the review.
- The achieved results are reviewed and compared to the stated expectations.
- There is an assessment to determine if the means used to achieve the results were appropriate.
- There is evidence of learning from experience, which can lead to improved program design and delivery.
- If needed, the accountability arrangement has been adjusted.
- Rewards and sanctions applied to individuals are appropriate.
- Disputes, if any, between partners are resolved through a dispute resolution process.

Performance is usually reported in an organization’s management reports and departmental performance reports to Parliament. However, individual performance appraisals also constitute a type of performance reporting. Although they may be hard to obtain and may be relevant only in certain circumstances. Most performance reports should be publicly available, and auditors can obtain advice on assessing the credibility of such reports from the assessment of performance reports product leader.

Determining whether or not review and adjustment is taking place and whether it is reasonable will not likely be straightforward. Auditors should seek to obtain evidence by interviewing relevant individuals and reviewing available documentation. Auditors will have to make a judgment about whether a review is fair and reasonable and rewards and sanctions are appropriate. If auditors have concerns about this criterion, they should contact the accountability subject matter expert.

Section 5—Making Recommendations

When auditors make recommendations about accountability, they should follow the general guidance in the value-for-money audit manual. Recommendations should be supported by, and flow from, the related observations and conclusions. They should respond to any gaps in accountability that are identified by examining an accountability relationship for the criteria in section 4. Recommendations should be clear, succinct, and straightforward, as well as practical and action oriented. That is, departmental officials should be able to readily understand what is expected of them.

Accountability recommendations should pertain to one of the elements of accountability. These recommendations should be concrete enough to be followed by departments and allow monitoring but do not need to be as specific as the criteria. For example, it could be recommended that an entity establish clear and concrete performance expectations in an accountability framework.

Government-wide audits may also have accountability issues. Where possible, accountability recommendations should be specific to a government entity involved in an accountability relationship. For example, often there is an entity responsible for leading an initiative, such as Treasury Board Secretariat. Also, it may be possible to narrow a recommendation to those government entities most crucial to an accountability issue or relationship. Recommendations that are overly generic make it difficult for auditors to track their implementation and do follow-up audits.