

Promoting Accountability & Transparency in Canada

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International Symposium on National Integrity System

February 18-19, 2016 – Chiang Mai, Thailand



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of Canada**

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Presentation Overview

- Introduction to OAG of Nova Scotia and to CCAF
- Government structure in Canada
- Key pillars of oversight and accountability in Canada
- Canadian Public Sector environment: financial audits
- Canadian Public Sector environment: performance (VFM) audits
- Responsibility for controls in Canada
- Other forms of oversight to promote accountability
- How the world sees Canada's integrity
- CCAF guidance on auditing oversight
- Overall conclusions



Few words of introduction about OAG of Nova Scotia and CCAF

- Office of the Auditor General of Nova Scotia
 - Auditor General independent officer reporting to Nova Scotia Legislature
 - Nova Scotia Legislature in existence since 1909
 - Do approximately 8 performance audits per year as well as the financial audit of the Provincial Public Accounts and other government organizations
 - 90% of staff are certified accountants
- CCAF (Canadian Comprehensive Audit Foundation)
 - Non profit organization involved in Research and Training: primarily in the domains of Performance Audit and of Parliamentary Public Accounts Committees
 - Over 35 years of existence with the financial and knowledge support of OAGs across Canada, and also from private sector audit firms
 - Also, International Program funded by Canadian Department of Foreign Affairs, Trade and Development. Involvement in capacity development programs in selected countries
 - Currently two Fellows in Canada from the SAI of Vietnam, previously several Fellows from the SAIs of Thailand, Bangladesh, Philippines, Malaysia, South Korea and other ASOSAI SAIs



Government Structure in Canada

- One federal government with responsibility for matters like National Defense, federal taxation, and national policies on matters like Health and Energy.
- 13 Provincial and territorial governments with responsibilities for such things as: health care delivery, education, provincial taxation.
- Hundreds of municipal governments with responsibility for such things as water, sewage and property taxation.

Government Structure in Canada

- Responsibilities of levels of government set out in 1867 BNA Act when Canada was created. Very often the federal and provincial roles overlap on policy and delivery.
- The judiciary, law enforcement, audit institutions, anti-corruption agencies, electoral management, ombudsman, etc. reflect this complex set up.
- Often there are federal laws that apply to the private and public sectors across the country. Supplemented in many cases, by provincial/territorial laws and regulations.

Key pillars of oversight and accountability in Canada

- No specifically named National Integrity System as in other countries.
- Do have key pillars of ongoing integrity including:
 - One national Supreme audit institution plus independent Provincial OAG's as well as some Municipal OAG's (e.g. Montreal, Ottawa, Toronto).
 - Parliamentary Oversight Committees of Government such as: Public Account Committee, Finance, Government operations and estimates, and 14 other committees at federal level. Similar at Provincial & Territorial levels.
 - Various Ombudsmen in place: Procurement, Victims of Crime, Taxpayers, Veterans, National Defence at federal level. Provinces and territories varied.

Key pillars of oversight and accountability in Canada

- Various Officers of Parliament and legislatures: Chief Electoral Officer, Official Languages, Privacy, Access to Information, Conflict of Interest and Ethics, Commissioner of Lobbying, Public Sector Integrity Commissioner, Auditor General.
- Other government organizations such as Treasury Board, Office of the Comptroller General, Office of the Superintendent of Financial Institutions, Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
- These are in addition to the various levels of law enforcement and judicial arrangements in place in Canada.
- As well, numerous laws impacting public and private sectors.

Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)

- FINTRAC is Canada's financial intelligence unit.
- Its mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities.
- Financial Institutions including banks have continuous reporting responsibilities to FINTRAC which permit ongoing investigations.
- A good example of Government/Private Sector cooperation.

Key pillars of oversight and accountability in Canada

- Access to Information Act
- Canadian Criminal Code - Fraud
- Competition Act
- Conflict of Interest Laws
- Financial Administration Act
- Federal Accountability Act
- Public Servants Disclosure Protection Act
- First Nations Financial Transparency Act
- Corruption of Foreign Public Officials Act
- Proceeds of Crime (Money Laundering) and Terrorist Financing Act
- International conventions and transparency initiatives
- The Government of Canada's Integrity Regime
- Plus open data, open government initiatives
- Management Accountability Framework



Management Accountability Framework (MAF)

- Treasury Board of Canada: establishes expectations for sound control and management practices in Departments and Agencies of the Government of Canada
- Reference: www.canada.ca/index.html
framework(/maf-org/eof-edc-eng.aso)

Objectives of MAF

- Government and Organizational view of status of control and management performance (including Integrity and Public Sector Values)
- Information about implementation of government policies and management practices
- Identify Strength and weaknesses
- Communicate and monitor progress for continuous improvement

Canadian Public Sector environment - financial audits

- Government expenditures subject to financial and performance audits by independent legislative audit offices with audit results made public.
- Work of legislative officers and ombudsman also provide independent views.
- For the accounts of the Federal government and Provincial governments the results have been overwhelmingly positive on financial audits.
 - e.g. Government of Canada has received unqualified audit opinions on the National accounts for the last 17 years
 - e.g. In 2014, 11 of the 13 provinces and territories received unqualified opinions on their Provincial accounts, with 2 (British Columbia and Quebec) receiving qualifications on specific accounting principles.

Canadian Public Sector environment - financial audits

- Canada has world class practice in preparing annual Government accounts that fairly and accurately portray the results of the year of operation and the state of the finances at the end of each period in accordance with appropriate financial reporting frameworks.
- The legislative financial audits are conducted according to Canadian generally accepted auditing standards followed by the private and public sectors.
- These audits include specific work addressing the risks of fraud and noncompliance with relevant laws and regulations.



Financial audits - improving integrity

- Issuance of public auditor's reports on entities.
- Issuance of audit reports to Parliament and Parliamentary Oversight Committees.
- Issuance of management letters to improve operations and controls.
- Issuance of stand alone public reports on the financial audit work done.
E.g. Nova Scotia reports annually.

Canadian Public Sector environment - performance (value for money) audits

- Canadian audit offices can also select areas of integrity upon which to conduct performance audits.
- These can include audits of oversight, governance, ethics and values, internal controls over compliance, etc.
- These audits reflect the decisions of audit offices based on their risk based assessment of these issues to their jurisdictions.
- Also at times there may be specific audits of issues of public interest to Canadians such as:
 - 2015 Expenses of Senators at the Federal Level
 - 2010 Nova Scotia MLA expense claims
 - 2007 Audit of the expenses of the Lieutenant Governor of Quebec



Canadian Public Sector environment - performance (value for money) audits

- Examples of audits of oversight and accountability in Canada at the federal and provincial level (available on the web sites of the respective OAGs):
 - 2013: OAG Canada – oversight of internal controls
 - 2013: OAG Canada – oversight of rail safety
 - 2013: OAG Ontario – oversight of the Auto Insurance Regulations
 - 2014: OAG Ontario – oversight of financial services regulations
 - 2014: OAG British Columbia – Oversight of Physician Services
 - 2014: OAG British Columbia – Governance of universities
 - 2015: OAG Nova Scotia – Oversight of School Boards

Performance audits - improving integrity

- Can be on a particular program, service or project.
- Can be on a government entity.
- Audit offices may follow the dollars to private sector.
- Make public recommendations in audits and follow up afterwards.
- Reports are much anticipated and used by politicians, media and the public.
- Audit reports are tabled at Parliament and at Parliamentary Oversight Committees to discuss the audit results and specifically follow up on recommendations and related management related action plan .

Responsibility for controls in Canada

- Control: the processes put in place by an organization's governing body, management and staff, to have reasonable assurance that objectives are met and include:
 - 1) the economy, efficiency and effectiveness of operations and resources
 - 2) oversight of resources and results based in the integrity and reliability of financial and non-financial data, and
 - 3) compliance with laws and regulations, policies and standards.

Responsibility for controls in Canada

- Across government responsibility for appropriate controls lies with the various entities set up by government to deliver its services to Canadians. This includes government departments, state corporations, boards, agencies, etc. Similar to private sector oversight.
- These controls may be audited as part of an annual financial audit and/or as part of a specific performance audit.
- Annually, senior government officials sign off on the existence and adequacy of controls. Also, annually under the direct oversight of the Controller General of Canada, the Departments and Agencies report on their assessment of control using the Management Accountability Framework (previously mentioned).

Other forms of oversight to promote accountability

- At times in Canada we have had various specific processes put in place to examine certain aspects of public spending.
- Examples include:
 - At the Federal level - the 2004 Gomery Commission into federal expenditures on sponsorship and advertising.
 - At the Provincial level - the 2015 Charbonneau Commission in Quebec to examine the awarding and management of public contracts in the construction industry.



Other forms of oversight to promote accountability

- In the past 30 years, there have been approximately 8 federal Royal Commissions on various matters. These are rare but they do at times happen either as the result of an independent Legislative Audit Office (LAO) audit or matter of public interest.
- These usually take considerable time and cost to conduct.
- Well-publicized court cases as a deterrent.

How the world sees Canada's Integrity

- According to Trace Matrix Bribery Index, Canada is 2nd least corrupt country in the world. Scored 22/100, compared to Nigeria at 97/100.
- However, Canada dominates the World Bank Corruption list, due to a large engineering firm. Canada had 119 people on the list (USA had 44 people).
- Overall, to date there are not a lot of court cases or companies banned from government business namely in the areas of construction and engineering firms. Cases of significant Government breach of integrity are not commonplace across Canada.

CCAF Guidance on Auditing Oversight

- In 2015 CCAF released a Practice Guide to Auditing Oversight.
- This 92 page audit guide serves to provide guidance for public sector auditors on how to: select, plan, carry out and report on performance (value for money) audits of oversight bodies and functions.
- It includes: guidance for each phase of the audit process, examples of audit objectives and criteria.

CCAF Guidance on Auditing Oversight

- Applies both to oversight of agencies, boards, authorities and to oversight of major initiatives within departments such as critical programs, projects or services.
- Gives you a flexible tool that allows easy access to areas of interest.
- Also note that CCAF is developing now a Practice Guide to Auditing Natural Resource Extraction: revenue and financial assurances. The planned completion date is March 2016.

Overall Conclusions

- Lots of Canadian experiences to draw on when looking at Integrity in particular when examining oversight and accountability.
- Can look to structures in place, laws and regulations, audits of performance and finances as well as Canadian guidance from CCAF.
- Issues of integrity and values are critical to the success of public institutions and bureaucracy, elected officials, and the long term success of the private sector.

Thank you for your interest today