

# THE CANADIAN COMPREHENSIVE AUDITING FOUNDATION

By Maurice Cutler

Canada's legislative auditors have played a major role in the establishment of a new national organization designed to promote the concept of "value for money" in the expenditures of publicly-funded bodies such as governments, Crown corporations, hospitals and universities. The Canadian Comprehensive Auditing Foundation was founded to serve as a focal point for this approach to the auditing of public funds and resources. Its influence has already begun to be felt both in Canada, and beyond, particularly in those developing nations which are seeking to upgrade their public sector auditing capability. This article outlines the background and objectives of the new Foundation.

Much of the credit for launching the Canadian Comprehensive Auditing Foundation belongs to the former Auditor General of Canada, James Macdonell, and to his provincial counterparts. The legislative auditors were responding to the need for a more effective means of doing their jobs. Comprehensive auditing is the term applied to the new approach to public sector auditing which goes beyond the traditional function of examining financial statements and checking to see that payments were duly authorized. Now, legislative auditors are looking for "value for money", the need to determine whether public funds have been spent economically, efficiently and effectively. Comprehensive auditing meets the special needs of governments and other not-for-profit bodies who cannot rely on a "bottom line" or profit yardstick as a performance measurement, as does business. Mr. Macdonell thought an independent Foundation would help restore control over public funds and emphasize the need for accountability among those who spend them.

Value for money auditing in Canada was recommended in the Report of the Independent Review Committee on the Office of the Auditor General of Canada, tabled in the House of Commons in 1975. This recommendation was reflected in the *Auditor General Act* of 1977 which requires the Auditor General to examine public spending from the viewpoint of economy, efficiency and whether or not satisfactory procedures are in place to measure the effectiveness of

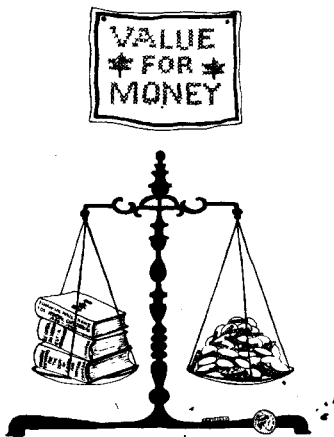
programs. The audit methods necessary to carry out these examinations form the framework of comprehensive auditing, of which value for money is a principal component. It calls for a variety of disciplines beyond the traditional auditing skills. A report of the Public Accounts Committee of the House of Commons endorsed comprehensive auditing in March 1979 and Mr. Macdonell has referred to adoption of comprehensive auditing by the federal Parliament as "a most important milestone or watershed in parliamentary and government auditing in Canada".

In view of the growing public interest in and demand for accountability in governments and other publicly-funded institutions, this new audit approach is attracting much attention, both in public and private sectors. Three provincial audit offices, Ontario, British Columbia and Alberta have been given expanded audit mandates. Similar action is being considered in other provinces. At the municipal level, the Auditor General of the City of Edmonton now has a value for money auditing mandate.

In 1978, the Canadian Institute of Chartered Accountants set up a Special Committee to examine the "Role of the Auditor". It suggested that, in time, value for money auditing would be appropriate for all levels of government and that it would be used in public organizations such as hospitals, universities, non-commercial Crown corporations and perhaps even charities. This interest across Canada culminated in the

unanimous endorsement of the establishment of the Foundation by a meeting of parliamentary auditors of Canada held in St. John's, Newfoundland in August 1979.

The Foundation was incorporated February 28, 1980. The first Board of Governors included Mr. Macdonell, and several of his counterparts, F. Norman Scott, Provincial Auditor of Ontario, Tim Kaptein, Provincial Auditor of Prince Edward Island, Gérard Larose, Auditor General of Quebec, D. William Rogers, Auditor General of Alberta and Erma P. Morrison, Auditor General of British Columbia. Also on the Board are the President of the Canadian Institute of Chartered Accountants, the Comptroller General of Canada and several other government officials, partners of public accounting and management consulting firms, internal auditors and members of the academic community. The establishment of the Foundation represents a working association among public sector auditors, the accounting and management consulting professions, internal auditors in the public and private sectors, and the academic community. Membership is available to institutions and professional organizations such as legislative audit offices, governmental and private sector internal audit groups, public accounting firms and management consulting firms. Membership is also open to individuals and corporations with an interest in comprehensive auditing.



The Canadian Comprehensive Auditing Foundation operates as a co-ordinating agency in auditing research, and a forum for the exchange and dissemination of information among members. Its principal objectives are to foster the development of methodology, to organize professional development and training programs, to exchange information and views, and to provide professional development opportunities for auditors from developing countries.

Foundation Chairman Mr. Macdonell sees the international activities as being one of the most exciting aspects of the Foundation's work. Surveys are already, or will soon be underway, to assess the needs of developing countries in the field of public sector auditing. Canada recently announced in the United Nations a five-year program to help train auditors from developing countries. During this period Canada will accept each year candidates from various third world nations. The fellowship program, which will cost \$2.5 million over the next five years, will provide these candidates with training and comprehensive auditing experience in Canada. This program, funded by the Canadian International Development Agency, will be administered by the Canadian Comprehensive Auditing Foundation.

In a Mexico City speech earlier this year, Mr. Macdonell said there is a role, even for a relatively small country such as Canada to develop close working relationships with counterpart audit offices in third world countries.

Ultimately the needs of developing nations in this field might be met within the framework of the United Nations, based on Canadian proposals outlined at the last session of the U.N. General Assembly. However, in the meantime, and perhaps in addition to subsequent U.N. arrangements, an international program can be launched now. It would be sponsored jointly by Canadian professional auditing groups in the public and private sectors through the Canadian Comprehensive Auditing Foundation. Eventually, perhaps their counterparts in other industrially developed nations will also join in. By this means, the substantial benefits of comprehensive auditing will be enjoyed not only by Canadians, but by people throughout the world.

The international program was launched this summer when Yvan Gaudette, the Foundation's acting Executive Secretary visited several African countries to assess the feasibility of assistance to the audit offices of developing nations. The visits were designed to better understand the needs and long-term objectives of these offices. Mr. Gaudette discussed the Foundation and its plans with officials in Kenya, Rwanda, Cameroun, Nigeria, Ivory Coast, and Morocco. At meetings of the International Organization of Supreme Audit Institutions in Nairobi in June, Mr. Gaudette and Mr. Macdonell established contacts with the heads of audit offices in Ethiopia, Malawi, Ghana, Swaziland and Mauritius. During the assessment visits, discussions centered on the Foundation's program which could involve on-site technical assistance for operational or training purposes, the one-year fellowship program in Canada for senior auditors, and participation in regional seminars on comprehensive auditing.