



Public Works and
Government Services
Canada

Travaux publics et
Services gouvernementaux
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CANADIANS.

Final Report

2010-605

Evaluation of Audit Services Canada

November 3, 2011

Office of Audit and Evaluation



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MAIN POINTS

What was examined

i. This evaluation examined the ongoing relevance and performance of Audit Services Canada (ASC), an optional auditing services provider within Public Works and Government Services Canada (PWGSC). ASC provides auditing services under a fee-for-services structure to other federal departments and agencies and is authorized to provide services to provincial and municipal governments and internationally. ASC's funding mechanism is a shared revolving fund with Government Consulting Services.

Why it is important

ii. ASC became a separate organization reporting to the Deputy Minister of PWGSC in 2005 after Consulting and Audit Canada (CAC) was dismantled. In 2009, it became part of the Departmental Oversight Branch. While ASC has undergone several reviews, it has not been evaluated since it was established as a stand-alone agency. As well, it is generally recognized that the services provided by ASC, primarily audit, are available from the private sector. Finally, although ASC finished the 2010-2011 fiscal year with a small surplus, it has had a recurring annual deficit of approximately \$5 million that has garnered significant senior management attention.

What was found

iii. The evaluation found that, while the federal government has a continued need for auditing services, there is minimal continuing need for ASC to continue as a provider of these services. Ease of engagement, one of ASC's value propositions, has been offset by recent advances that have streamlined contracting for private sector auditing services. While ASC is not directly linked to federal or departmental priorities, the audit related services it provides indirectly support departments and agencies in their efforts to achieve priorities in areas such as the *Federal Accountability Act*, the Treasury Board (TB) *Policy on Internal Audit* and the TB *Policy on Transfer Payments*. There are no mandatory requirements for the use of ASC's services by departments or agencies, as ASC is an optional service under the *Department of Public Works and Government Services Act* and the Treasury Board *Common Services Policy*. Audit services are available from other alternatives including the private sector and through building audit capacity internally within federal departments and agencies. We note the federal government has increased its internal audit capacity by 152% since 2005, and contracts for auditing services with the private sector have more than doubled between 2008/09 and 2009/10, while contracts with ASC have been stable.

iv. In terms of performance, clients reported that ASC provides quality auditing services in a timely manner and that the agency contributes to risk management and good governance. However, the private sector was perceived to provide higher quality services than ASC by those who had accessed audit support services from both sources.

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v. Through its cost audit work, ASC supports the effective management of public funds by providing assurance on contract payment accuracy. The recommendations provided through ASC's work, the products delivered, and the movement of ASC staff throughout the federal government were found to improve the programs and policies of its clients by supporting good governance and effective risk management and increased internal audit capacity.

vi. Budget issues have been a concern for ASC. ASC experienced net deficits of approximately \$5 million per year in the period from 2007/08 to 2009/10. In 2010/11, ASC recorded an approximate surplus of \$100,000. ASC's revenue base is largely dependent on a few core clients who rely on ASC to meet their audit needs. However, these needs could be met through the use of standing offers or supply arrangements with the private sector.

vii. There has been an increase in the utilization rates of ASC's staff in 2010/11. While improvements have been made in almost all offices, some offices still have relatively low utilization rates. These offices with lower levels of productivity limit the financial benefits of the higher performing offices. Staffing and turnover are also areas of concern for ASC as it seeks to achieve full cost recovery. Recent staffing restrictions allowed resource levels to align better with demand, as evidenced by the increased utilization rates.

Implications of Strategic Review

viii. At the time of this evaluation, PWGSC was one of 13 departments reviewing its priorities through the Strategic Review process. As part of Budget 2011, the government announced the initiatives that PWGSC would implement, including elimination of some programs. In identifying ASC for elimination, it noted that professional audit services are readily available in the private sector, and that the organization has not achieved its objective of cost-recovery. The review also noted that the introduction of new contracting tools has streamlined and accelerated the process to secure private sector audit services. The elimination of ASC is intended to better align PWGSC activities with its core mandate and leverage private sector services.

ix. At the time of this evaluation, ASC had wound down its business activities and was finalizing continuity plans with existing clients. ASC will cease to provide audit services as of March 2012.

x. In light of the wind-down of the program, recommendations for response and actions by program management are not presented in this evaluation, as a final decision on the future of the program has been taken.

INTRODUCTION

1. This report presents the results of the evaluation of Audit Services Canada (ASC). The Audit and Evaluation Committee of Public Works and Government Services Canada (PWGSC) approved this evaluation as part of the *2010-2011 to 2014-2015 Risked-Based Multi-Year Audit and Evaluation Plan*. The evaluation was conducted in accordance with the evaluation standards of the Government of Canada and the Office of Audit and Evaluation at PWGSC.

PROGRAM PROFILE

Background

2. ASC provides auditing services on a fee-for-service basis to federal departments and agencies. Audit services are also provided, upon request, to municipal, provincial, and foreign governments and international organizations under an Order in Council. The origins of ASC can be traced back to the 1940s when the Treasury Cost Accounting Division of the Office of the Comptroller of the Treasury was responsible for statutory investigations of departmental expenditures. This former Division is considered the forerunner of Audit Services Canada. Over the years, a centralized auditing services function was maintained within the Comptroller of the Treasury and eventually renamed the Audit Services Division in 1960.

3. In 1969, the Office of the Comptroller of the Treasury was abolished and the Audit Services Division became the Audit Services Bureau within the newly formed Department of Supply and Services. A major change in its status occurred in December 1989, when the Audit Services Bureau was merged with the Bureau of Management Consulting to form Consulting and Audit Canada (CAC) and was given Special Operating Agency status. Subsequently, in 2005, CAC was dismantled and the audit function of CAC became Audit Services Canada, a Special Operating Agency reporting to the Deputy Minister of Public Works and Government Services. The consulting component was renamed Government Consulting Services and was incorporated into the Consulting, Information and Shared Services Branch of PWGSC. In 2009, ASC was moved to the Departmental Oversight Branch within PWGSC. ASC operates under a fee-for-services structure and ASC's funding mechanism is a shared revolving fund with Government Consulting Services. Due to issues identified with flow-through contracting practices, ASC lost its authority to contract for private sector resources when CAC was dismantled. At present, ASC is able to contract through Temporary Help Services to meet short-term demand.

4. CAC is identified as an optional provider of auditing services in the *Department of Public Works and Government Services Act* and in Treasury Board's *Common Services Policy*. While the policy has not been revised to reflect the dismantling of CAC, it is still considered to provide a mandate for ASC, as the auditing services component of the former CAC.

Governance

5. ASC is headed by a Chief Executive Officer, who reports directly to the Assistant Deputy Minister, Departmental Oversight. The Chief Executive Officer oversees five regional directors, each with their own portfolio of clients; three headquarter units; the Centre of Expertise Division; the National Capital Region Division; and the Federal/Provincial Agreements Division, each headed by a Director who reports to the Chief Executive Officer.

Activities

6. ASC's activities are divided across three business lines:

- **Cost Audits:** Cost audits examine cost-reimbursable contracts and focus on ensuring that costs claimed by contractors are eligible and that there is appropriate documentation to support the costs incurred.ⁱ
- **Transfer Payment Audits:** Transfer payment audits examine recipients of funds provided under transfer payment programs. These audits provide assurance that the funds are expended in accordance with eligibility criteria and for the purposes intended under the funding agreement. These audits support accountability on the part of program managers. Program managers arrange for ASC's assistance in conducting these audits based on a risk-based assessment of the audit requirements for their program.
- **Internal Audits:** Internal audit is an independent, objective organizational function that adds value to, and improves, the overall effectiveness and efficiency of an organization's operations. In a public sector context, the internal audit function helps an organization accomplish its objectives by providing an independent, professional review and assessment of risk management controls, and governance processes in federal departments and agencies across government.

7. In addition to the three main business lines, ASC provides other special auditing services, such as forensic accounting and special investigations, upon request.

Authority

8. ASC operates under the authority of the *Department of Public Works and Government Services Act*, which states that "the Minister may, on request of a department, board or agency of the Government of Canada, provide it with auditing services." The agency operates within the Consulting and Audit Canada Revolving Fund,

ⁱ PWGSC's Cost Audit Program, which resides in PWGSC's Acquisitions Branch, currently relies heavily on ASC in the area of contract cost audits. These audits are a risk management tool that assists PWGSC and its clients in demonstrating stewardship and accountability in respect of significant components of government procurement. A significant component of this work is done by the Cost Audit Program on behalf of the United States government under the Defence Production Sharing Agreements.

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pursuant to section 5.4 of the *Revolving Funds Act*. The Treasury Board *Common Services Policy* indicates that PWGSC and CAC are designated as common services organizations. The types of auditing services ASC may provide are outlined in sections 7.1.10 and 7.1.11 of Appendix F: Optional Services in the *Common Services Policy*.

Resources

9. ASC operates on a cost-recovery basis under the CAC Revolving Fund along with Government Consulting Services. As such, ASC's auditing revenues are expected to cover direct operating costs and overhead costs (e.g. costs of support services, senior management, PWGSC corporate services, etc). ASC represented approximately 48% (\$16.9 million) of the revenues in the 2009/10 CAC Revolving Fund; Government Consulting Services accounted for 52% (\$18.0 million) of revenues.

Stakeholders

10. ASC provides services to a wide range of clients across the federal government. An amalgamation of ASC's client satisfaction databases resulted in a list of over 500 unique client contacts throughout the federal government over the past five years. However, approximately 75% of revenues annually are attributable to seven-to-ten clients. Within this group of core clients, two departments, PWGSC and Public Safety Canada, accounted for between 31% and 48% of ASC's revenues over the last three years.

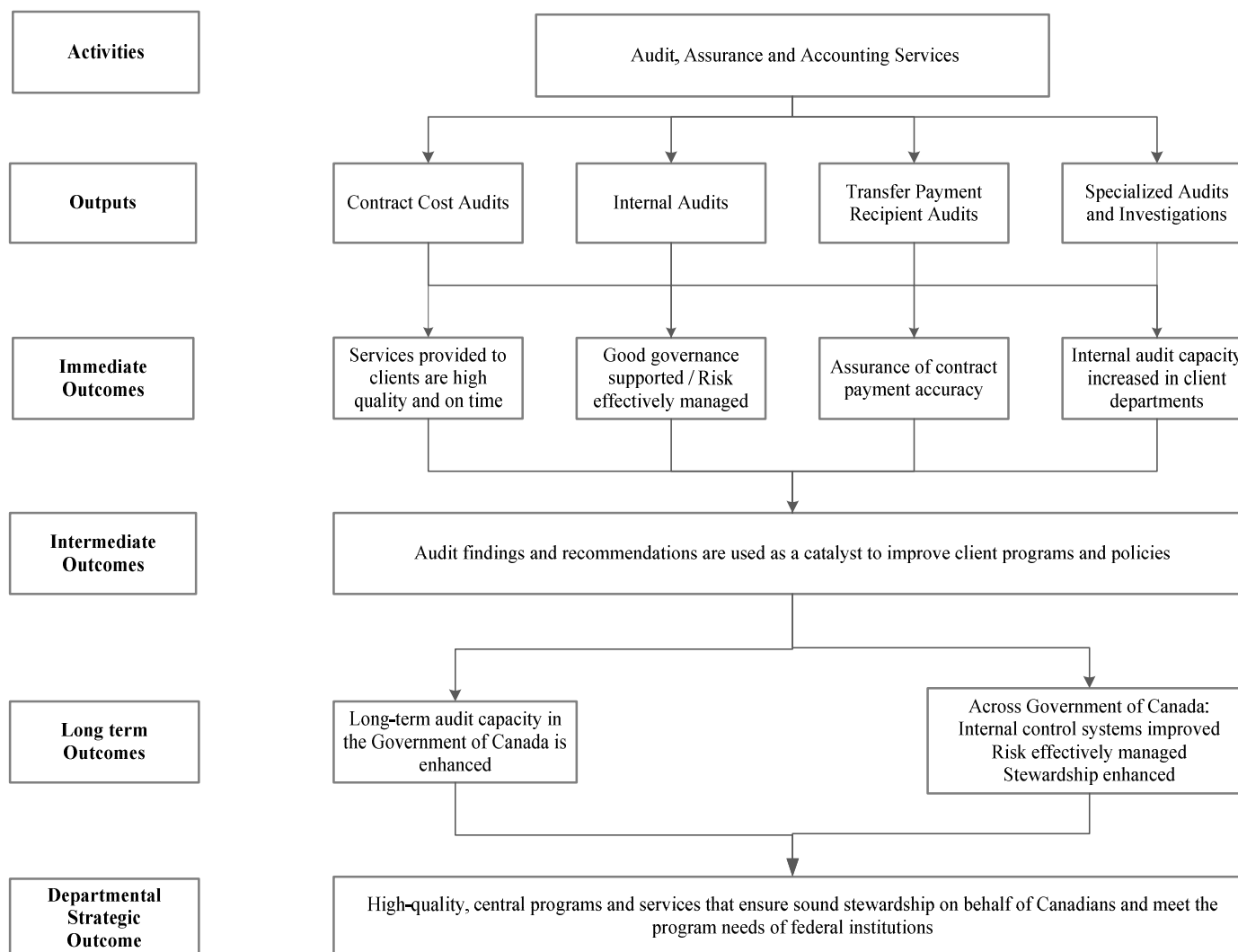
Logic Model

11. A logic model is a visual representation that links a program's activities, outputs, and outcomes; provides a systematic and visual method of illustrating program theory; and shows the logic of how a program, policy, or initiative is expected to achieve its objectives. It also provides the basis for developing performance measurement and evaluation strategies, including the evaluation matrix.

12. A logic model for ASC, presented in Exhibit 1, was developed as part of the evaluation framework conducted prior to this evaluation. The logic model was based on a document review and interviews with program managers and was subsequently validated with ASC senior management.

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Exhibit 1: Audit Services Canada Logic Model



FOCUS OF THE EVALUATION

13. The objectives of this evaluation were to determine the program's relevance and performance in achieving its planned outcomes in accordance with the Treasury Board Policy on Evaluation.

14. An evaluation matrix including evaluation issues, questions indicators and data sources was developed during the planning phase. Multiple lines of evidence were used to assess the program. These included:

- a) Document Review and Literature Review: Over 40 documents were reviewed to consider the evaluation questions related to both relevance and performance.
- b) Stakeholder Interviews: Forty-three stakeholders were interviewed. These consisted of ASC clients, ASC senior staff, PWGSC senior staff, the Treasury Board Secretariat, and the Office of the Comptroller General.
- c) Online Survey of Clients and Chief Audit Executives: A list was created of all clients from the past five years and of Chief Audit Executives. In total, 131 individuals responded to the survey for a response rate of 33.6% (131/390).
- d) Secondary and Administrative Data Review: A review of administrative data was conducted to look at issues of performance in more details. Data sources included client surveys completed from FY2005/06 to FY2010/11 (except for FY2009/10), performance measurement information contained in excel spreadsheets, and financial statements.
- e) Case Studies: Three cases studies were undertaken, examining three projects completed by ASC. The selected projects included one from PWGSC's Cost Audit Program, one from Public Safety Canada, and one from Aboriginal Affairs and Northern Development Canada (formerly Indian and Northern Affairs Canada).

15. More information on the approach and methodologies used to conduct this evaluation can be found in the About the Evaluation section at the end of this report. The evaluation matrix is provided in Appendix A.

FINDINGS AND CONCLUSIONS

16. The findings and conclusions below are based on the multiple lines of evidence used during the evaluation. They are presented by evaluation issue (relevance and performance).

RELEVANCE

17. Relevance is measured by the extent to which the program: addresses a demonstrable and continuing need; is aligned with federal and departmental priorities; and is an appropriate role for the federal government.

CONTINUING NEED

18. Continuing need is assessed by three primary elements: continued relevance of original program rationale; legislative or policy requirements; and use of the program's services. Based on these criteria, the evaluation has found that there is minimal continuing need for the program.

19. The rationale for ASC has evolved significantly from its origins in the Office of the Comptroller of the Treasury in the early 1940's. At the time, the Comptroller and the Auditor General were together responsible for the statutory investigations of departmental expenditures. What was then a mandatory responsibility has evolved into an optional service with a mandate derived from section 15 (d) of the *Department of Public Works and Government Services Act*, whereby the Minister of PWGS may, on request of a department, board, or agency of the Government of Canada, provide it with auditing services. As such, it is optional for PWGSC to provide auditing services (ASC) and it is optional for other departments and agencies to use these services. This is reaffirmed through the Treasury Board *Common Services Policy* which establishes PWGSC as a Common Service Organization (CSO) and lists ASC as an optional service in section 7.1 of Appendix F – Optional Services.

20. The fundamental rationale put forward by ASC for the continued need for its services is that there is inherent and unique value in the government having a professional audit service available inside the public service. The key value propositions put forward by ASC, as outlined in the Annual Reference Level Update and Business Plan for 2011-12, are:

- *Rapid Response:* Clients can rapidly engage ASC through a Memorandum of Understanding/Agreement (MOU).
- *Financial value to the Crown:* ASC audits have led to the return of significant monies to the federal government.
- *Knowledge of Government:* ASC possesses, develops and maintains a powerful knowledge base with respect to the accountability and stewardship aspects of government operations.
- *Capacity dedicated to needs of Government:* ASC maintains a significant pool of resources, provides training and experience specific to government requirements, and makes them available to all of government.

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- *Support of Government Policy and Legislation:* ASC's services and activities support a number of government policy and legislative instruments such as: *Federal Accountability Act*; *Financial Administration Act*; TB – *Internal Audit Policy*; TB – *Transfer Payment Policy*; and TB – *Policy on Internal Controls*.
- *Quality and professionalism:* Quality at ASC is achieved through various processes and activities, such as: the ASC Professional Practice Function; Practice Inspections; and professional, accredited staff.

21. While these value propositions are illustrative of the value provided by ASC, they are not fundamentally unique to the organization and there is evidence that internal audit units or private sector organizations can deliver on them as well.

22. The one value proposition that has been unique to ASC has been their rapid response capability. There is evidence ASC delivers on this value proposition however, recent improvements to the procurement processes for auditing services are likely to minimize this advantage. Key among these has been the development of the Professional Audit Support Services (PASS) supply arrangement, the use of which is mandatory for federal government departments when seeking private sector audit resources. PASS covers services in eight (8) audit and audit-related work-streams and provides a streamlined process for contracting for auditing services, allowing federal departments or agencies to contract for services in as little as a few days. The flexibility provided by these types of contracts somewhat decreases the advantage provided by ASC's ability to quickly establish an MOU with clients.

23. With respect to the other value propositions claimed by the organization, while ASC staff develop extensive knowledge of government and are focused on government audit needs, there appears to be no barrier to private sector firms developing these same capacities. Some internal audit units may rely on ASC due to capacity issues within their unit; however, these units could potentially resolve their capacity issues through alternative means, such as the use of standing offers or supply arrangements currently available across government, or by increasing their internal resources. Overall, since these value propositions are not fundamentally unique to ASC, the rationale for having an internal auditing service for the federal government is not strongly affirmed.

24. While ASC assists client departments and agencies in meeting policy and legislative requirements, there is no policy or legislative requirement for the use of ASC services. The Treasury Board *Common Services Policy* indicates that "choice for line departments creates a competitive environment for common service organizations [CSOs] where [they] operate on cost recovery, market pressures cause the CSOs to focus on customer service, the provision of quality goods and services on time, and competitive pricing. Such an environment contributes to increased opportunities for commercial suppliers to serve government where this provides best value and generally promotes more efficient and less costly government operations." While ASC, as an optional service, provides an

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indirect element of competitionⁱⁱ whereby clients have the option of an MOU with ASC or of establishing a contract with a private sector supplier under PASS, ASC has not been able to effectively operate in this environment, while recovering its costs in full, as evidenced by ongoing deficits.

25. There appears to be an increased utilization of PASS by federal departments and agencies since its inception, while the use of ASC services appears to be fairly stable as outlined in Exhibit 2.

Exhibit 2: Comparison between PASS Contract Values and ASC MOU Values

Fiscal Year	PASS		ASC		Total Expenditures
	Value of Contracts	% of Total	Value of MOUs	% of Total	
2008/09 ⁱⁱⁱ	\$9.2 million	38%	\$15.2 million	62%	\$24.5 million
2009/10	\$21.4 million	57%	\$16.2 million	43%	\$37.6 million

Source: Data from PASS and ASC

26. The values listed in Exhibit 2 above represent only the initial year of multi-year contracts; contract options that have been exercised after the initial year are not captured in the PASS values. In general, while ASC's revenues have been stable in the last couple of years, their relative market share appears to have decreased in comparison to the private sector market share under PASS.

27. Overall, while ASC offered unique value propositions in the past, the environment in which they are now providing these services has changed and there is a minimal continuing need for ASC. While the agency fulfills an optional legislative responsibility, ASC's value propositions are generally no longer unique. The MOU process, which has been the key unique product offering for ASC, is no longer a strong value proposition due to increased efficiencies in contracting for auditing services. As well, while overall expenditures on audit services increased during the 2009/10 fiscal year, use of PASS to secure private sector audit services increased almost 20 percentage points while ASC witnessed an equivalent drop in its market share.

ALIGNMENT WITH FEDERAL AND DEPARTMENTAL PRIORITIES

28. Alignment with federal and departmental priorities is determined by assessing the degree to which the issue the program is intended to address is discussed in both federal and departmental priority-setting reports and documents. The services ASC provides are indirectly aligned with federal priorities and aligns directly with the PWGSC Strategic Outcome. However, ASC, as an entity, is not directly aligned with federal priorities or PWGSC's strategic outcome.

ⁱⁱ Note: ASC cannot compete directly with the private sector. ASC is not able to compete for projects posted on any work-stream within PASS. The element of competition is purely the client's choice between ASC and PASS.

ⁱⁱⁱ PASS represents only 8.5 months of expenditures on private sector auditing services for 2008/09 because it was initiated in mid-July of that year.

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29. ASC's services can support federal departments and agencies by enabling them to better achieve the objectives of key federal and departmental priorities such as: the *Federal Accountability Act*, the *Financial Administration Act*, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, the *Treasury Board Policy on Internal Audit*, the *Treasury Board Policy on Transfer Payments*, Management Accountability Framework (Effectiveness of the Internal Audit Function), and various departmental internal audit policies. Aside from this indirect support, ASC is not mentioned specifically in any federal priority setting documents. As well, there is no reason to believe that the capacity to provide this indirect support of policies and legislation is not also available from private sector auditing services suppliers and internal audit groups within federal departments and agencies.

30. In terms of departmental priorities, ASC's services align with the PWGSC Strategic Outcome of "high quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions." The services provided by ASC enable federal departments and agencies to ensure sound stewardship of their activities through the audit function.

31. Overall, the evaluation found that the services ASC provides are not directly linked to a federal priority although the audit-related services provided may indirectly support federal priorities in that they enable their clients to fulfill their respective responsibilities outlined in legislation, Treasury Board policies, and departmental policies. ASC's services also align with the PWGSC Strategic Outcome. However, ASC as an entity does not.

APPROPRIATE ROLE AND RESPONSIBILITY FOR THE FEDERAL GOVERNMENT

32. To determine whether or not the program is aligned with the roles and responsibilities of the federal government, three elements were examined: whether the responsibility for the program could be transferred to another level of government (i.e., to the provinces); whether the responsibility for the program could be transferred to the private sector; and whether the responsibility for the program could be decentralized to individual departments and agencies.

33. Devolution of responsibility for the audit services currently provided by ASC to the provinces is not viable. While ASC is able to provide auditing services to provincial, municipal and aboriginal governments, the agency's mandate is, primarily, to serve the needs of the federal government. Having a provincial or municipal government provide internal audit services to the federal government does not make sense. As such, devolution of auditing responsibility to another level of government would not be a viable option.

34. With regard to possible devolution of responsibility to the private sector or decentralization to other federal departments and agencies, either of the two would be potentially viable options. While the devolution of ASC as an entity to the private sector is not viable, devolution of responsibility for the provision of at least some of the services currently provided by ASC is a viable option. For example, two of the PASS work-

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streams align directly with two of the three main business lines of ASC (Internal Audit and Transfer Payment Audit). As well, departments could enhance their own internal audit resources in these areas. What remains is the Contract Cost Audit business line. None of the eight work-streams within PASS align with this type of audit. However, these audits are provided primarily to the Cost Audit Program within PWGSC's Acquisitions Branch; responsibility for coordinating its own audit services could be assigned to the Acquisitions Branch.

35. Overall, the evaluation found that ASC is not fulfilling an essential role and responsibility for the federal government.

Conclusions: RELEVANCE

36. In conclusion, there is minimal continuing need for ASC. While there is a policy provision for PWGSC to provide auditing services, it is not a mandatory requirement, and comparable services are available through the private sector. At the time of the evaluation, clients had the option to use ASC; however, overall demand for ASC's services from clients had decreased in recent years relative to the value of contracts arranged through PASS. An ability to arrange for long-term task authorization contracts under PASS provides increased flexibility for clients and reduces the value-added that ASC offers with the MOU process.

37. At the time of the evaluation, ASC's services aligned indirectly with federal priorities. Its services supported departments and agencies in meeting audit-related legislative and policy requirements and were aligned with the PWGSC strategic outcome of providing a service that helps other federal departments and agencies to ensure stewardship of their activities by meeting their audit-related needs.

PERFORMANCE

38. Performance is the extent to which a program or initiative is successful in achieving its objectives and the degree to which it is able to do so in a cost-effective manner that demonstrates efficiency and economy. This evaluation examined Audit Services Canada's achievement of its immediate, intermediate, and long term outcomes, as shown in the Logic Model contained in the "Profile" section.

OUTCOME ACHIEVEMENT

39. The outcomes presented in a logic model are designed so that their achievement will aid the Department in achieving its strategic outcome. As such, the evaluation examined the degree to which the program's activities are sufficient for achieving its intended outcomes. ASC's outcomes are identified in *italics* below, followed by an assessment of their performance.

Provision of quality and timely services to clients

40. In an operating environment where it is optional for clients to use ASC, client satisfaction is important for building and maintaining a successful business. Quality and

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timeliness are large contributors to client satisfaction. In order to be competitive with the other options available to clients, ASC would have to provide a level of quality and timeliness that is equal to or better than the private sector or internal audit groups, while fully recovering its costs.

41. ASC conducted an annual client satisfaction survey from 2005/06 to 2008/09. In 2009/10, the survey was suspended and a new version was introduced in 2010/11. This new version was administered to a smaller audience. Since the survey results for the years 2005/06 to 2008/09 did not vary significantly, the results for these years were combined and examined cumulatively in the Evaluation. In addition to analyzing the annual ASC client survey, the evaluation team conducted a survey (termed the “evaluation survey”) of current and former clients and Chief Audit Executives in the Government of Canada. The comparative results of the cumulative ASC surveys from 2005/06 to 2008/09, the 2010/11 ASC survey, and the evaluation survey.

Exhibit 3: Annual ASC Client Survey Results compared to evaluation survey Results

Quality Indicator	ASC Survey Cumulative (2005/06 to 2008/09)	ASC Survey (2010/11)	Evaluation Survey Respondents (2010/11)
Services provided by ASC met client organization's needs	83%	81%	77%
ASC adhered to agreed upon costs and timelines	86%	73%	70%
ASC demonstrated the necessary understanding of your department, central agency requirements and the government environment	94%	88%	85%
ASC provided resources with the appropriate skills and knowledge	92%	88%	86%
ASC understood client's needs and the immediate context of the project	94%	84%	90%
Satisfied overall with manner in which ASC provided services	91%	88%	77%

Source: ASC Client Survey Data (cumulative results for 2005/06 to 2008/09 inclusive and individual results for 2010/11) and evaluation survey data

Respondents: ASC cumulative results n=298 (total); ASC 2010/11 n=27; evaluation survey n=119

42. The results of the surveys demonstrate satisfaction with ASC's services though there is a slight decline, over time, in client ratings of some aspects of the quality of services delivered by ASC. Of particular note, client satisfaction with ASC's ability to adhere to agreed upon costs and timelines has declined from 86% to 73% according to ASC's survey results, or to 70% according to the results of the evaluation survey. With regard to the overall satisfaction rating, there are differences between the ratings in the ASC surveys and the evaluation survey for several of the quality measures. This could be attributable, in part, to the fact that the population surveyed in the evaluation survey included former clients who may have ceased using ASC due to low satisfaction.

43. It is important to note that most clients who were surveyed as part of this evaluation had not used private sector suppliers in the past five years, whereas just over one-third reported that their unit had engaged a private sector firm to provide auditing services in

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the past year. To control for this bias, the evaluation team examined the subset of clients (n=35) who have had recent experience with both the private sector and ASC. When clients have had recent experience with both ASC and the private sector, the private sector obtained higher satisfaction ratings than ASC (Exhibit 4) in the survey. In particular, these clients perceived the private sector as providing superior value for money.

Exhibit 4: Satisfaction ratings: ASC compared to the private sector

Survey Question	ASC Rating	Private Sector Rating
Provided value for money	43%	79%
Projects effectively met organization's needs	60%	85%
Demonstrated the necessary understanding of client department, central agency requirements and the government environment	77%	81%
Provided resources with the appropriate skills and knowledge	74%	79%
Provided independent, unbiased findings and recommendations	77%	85%
Overall, satisfaction with the way the auditing services were provided	65%	82%

Source: Evaluation survey 2010/11

Note: Based on a subset of clients surveyed who had recent experience with both ASC and the private sector.

44. Overall, the evaluation found that ASC generally provides quality and timely services to clients. Nevertheless, adherence to agreed upon timelines and costs, in concert with the financial difficulties of ASC in past years (discussed later in the report in the section on efficiency and economy), is a considerable concern. The evaluation also found that clients who have used both ASC and the private sector rate the quality of private sector services higher than ASC's services.

Supporting good governance and effective risk management

45. Risk management and good governance are key priorities of the Government of Canada, as demonstrated through the numerous laws, regulations, and policies surrounding accountability, internal controls, and the stewardship of public funds. According to the standards of the Institute of Internal Auditors, with which all federal auditors must comply in addition to the Treasury Board *Internal Auditing Standards*, "the internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes." The Institute also indicates that improvements to the governance process are achieved through:

- Promotion of appropriate ethics and values;
- Assurance of effective performance management and accountability;
- Appropriate communication of risk and control information; and
- Effective coordination of activities and communication of information.

As such, it is expected that ASC, through its audit support services, supports its clients in ensuring good governance and effective risk management. Overall, the evaluation found that ASC was successful in achieving this outcome.

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46. The evaluation conducted two case studies of large scale and recent projects where ASC's work contributed to increased risk management in these areas of the client organizations.

47. In the first case study, a review of time recording under the PWGSC Cost Audit Program, the recommendations put forth by ASC led to management actions aimed at reducing risks pertaining to an inadequate billing system; at updating and formalizing procedures; and at increasing training for end-users in accounts receivable.

48. The second case study, an audit of a program at the Aboriginal Affairs and Northern Development Canada (formerly Indian and Northern Affairs Canada), found that ASC's work contributed in many ways to improved risk management and good governance through its multiple reviews process. The program indicated that improvements were realized in the internal controls systems of the First Nations groups. As well, the reviews provided the Department with evidence that could be used to enhance and advance internal controls and risk management within these First Nations organizations, a goal that is aligned with the Department's national standards. The program indicated that the audits assisted with improved risk management; assignments that were identified as high-risk were assigned multiple visits. Finally, the audit aided the Department in identifying groups in need of capacity building allowing the program to better manage its resources.

49. In addition to the case studies, the evaluation found that survey respondents were generally satisfied with ASC's ability to support good governance and effective risk management. As shown in Exhibit 5, survey respondents generally believe that ASC's work contributed to improvements in risk management, internal control systems and general management of the client's organization. Sixty-nine percent of evaluation survey respondents felt that ASC had identified improvements to internal controls on the most recent project carried out for them, and 70% said that ASC had identified areas for improved management.

Exhibit 5: ASC's contribution to risk management and good governance

ASC's work on the most recent project contributed to some extent or significantly to:	Percent of Evaluation Survey Respondents
• improvements to client's internal control systems	69%
• improvements in the management of client's organization	70%
• improvements in client's risk management	72%

Source: Evaluation survey 2010/11

50. Overall, the evaluation found that ASC has been able to support good governance and effective risk management in many of its projects, although ASC's ratings on these criteria are lower than the overall satisfaction ratings noted in Exhibit 3. The ratings achieved could reflect, in part, that the types of projects undertaken were ones where these outcomes were not prominent.

Assurance of contract payment accuracy

51. With the increased focus on accountability in the Government of Canada, contract cost audits and transfer payment audits have become a higher priority. With regard to

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contract cost audits, the focus is on ensuring the receipt of goods or services specified in the contract (typically for specialized and more complex acquisitions). In terms of transfer payments, the Treasury Board *Directive on Transfer Payments* indicates that departments must ensure “that the recipient of a contribution has complied with the obligations and performance objectives in the funding agreement.” It is expected that oversight of contracts and transfer payments will ensure that public funds are being managed appropriately: specifically, that the federal government has received the goods for which it had contracted and that terms and conditions for transfer payments have been met. Through its work with PWGSC’s Cost Audit Program and the various transfer payment program clients, ASC is able to provide assurance with regard to the accuracy of payments and identify under/over payments.

52. ASC does not systematically track the recoveries, or underpayments, identified in its audits. However, the *Fundamental Review of Audit Services Canada Business Line* discussed a case wherein ASC’s work resulted in a major cost recovery of an estimated \$160M to the federal government. Additionally, the evaluation case study of ASC’s work with the Income Assistance Program at the Department of Indian and Northern Affairs found that ASC helped to identify cases where the recipient was ineligible for income support through the program, thereby providing assurance of the proper management of public funds.

53. Client interviewees and survey respondents were able to provide general, anecdotal evidence of ASC’s achievement of this outcome. PWGSC senior officials indicated that some of ASC’s audits were able to provide recoveries of funds; however ASC could not quantify the cost recoveries or credits issued. Some client interviewees noted cases where ASC identified significant cost recoveries through its identification of ineligible recipients and also identified cases where the programs were to administer credits to recipients who had not been paid the full amount due to them. The evaluation survey indicated that, in over one-third of projects, ASC had identified costs that could be recovered from contribution or contract holders. In some cases these recoveries were in excess of \$100,000. Respondents indicated that in almost half of all cases identified where costs could be recovered, all or most of the amount was recovered.

54. Overall, ASC has been generally able to provide assurance for its clients on contract payment accuracy. There is evidence linking ASC’s efforts to significant cost recoveries for ineligible claims and services inappropriately rendered. However, since there is no systematic collection of this information by ASC, it is not possible to compare the value of monies recovered to the cost of ASC audits.

Increased internal audit capacity in clients

55. The 2009 Treasury Board *Policy on Internal Audit* states that Deputy Heads of large departments are responsible for “ensuring an internal audit capacity appropriate to the needs of the department and that operates in accordance with [the] policy and professional internal auditing standards.” This policy requirement is based on the Institute of Internal Auditor’s standards, which indicate that “the chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to

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achieve the approved plan.” In general, ASC contributes to the development of internal audit capacity in most client organisations by providing audit experience and tools to their clients.

56. Client interviewees were of the opinion that ASC contributes to increased audit capacity in the federal government. In some instances, interviewees noted that the movement of employees within the federal government contributed to capacity building because former ASC employees were applying their skills in new departments, thereby increasing the audit capacity in that organisation. Evaluation survey respondents were also satisfied with ASC’s ability to support enhanced audit capacity in their department. As evidenced in Exhibit 6, clients learned from ASC and were able to improve their organization through the implementation of ASC’s recommendations.

Exhibit 6: ASC’s contribution towards increasing audit capacity

Client organization was able, either significantly or to some extent to:	Percent of Respondents
Learn from the work conducted by ASC	84%
Adopt recommendations made by ASC	82%
Implement changes in line with the work conducted by ASC	73%
Disseminate the changes recommended by ASC to other parts of the organization or to other organizations	67%

Source: Evaluation survey 2010/11

57. Overall, the evaluation found that ASC has been helping to increase the audit capacity in client departments. Through the products delivered and recommendations made by ASC, most clients have been able to improve operations and increase audit capacity.

Audit findings and recommendations are used as a catalyst to improve client programs and policies

58. Through ASC’s work, the agency has been able to help improve client programs and policies. In the evaluation survey, respondents noted several actions that have been taken as a result of an ASC audit. Such actions include:

- Implementation of a continuous monitoring system;
- Changes to internal controls;
- Reorganization of accounts payable activities;
- Restructuring of governance committees;
- Process reengineering to ensure compliance with policy and legislation; and
- Improvements to oversight procedures.

There were only a few cases in which respondents indicated that ASC’s work did not result in changes to operations, which, in some cases, was due to the nature of the audit work.

59. The case studies highlight instances where the work of ASC has led to improved systems and controls in its clients’ organisations. In one of the case studies conducted by

the evaluation team, ASC's work with the Income Assistance Program at the Aboriginal Affairs and Northern Development Canada (formerly Indian and Northern Affairs Canada) resulted in the program's recipients providing the Department with an action plan to address issues identified. Through ASC's follow-up visits it was found that the organizations had made progress towards improving internal controls. As well, ASC's work helped the Department assess all First Nations organizations they work with and to better identify those in need of assistance. In addition, the *Fundamental Review of the ASC Business Line* discusses cases where the work of ASC led to improvements in client operations.

60. Overall, the evaluation found that the work of ASC has been used to improve client programs and policies. However, the private sector also has the capacity to provide sound audit advice that would result in improvements to the programs and policies.

Enhancement of long-term audit capacity

61. As previously discussed, building audit capacity within the federal government is a current priority for ASC. In order to maintain efficient operations, it is important that the building of audit capacity be sustainable in the long-term.

62. The *Five Year Evaluation of the 2006 Policy on Internal Audit*, commissioned by the Treasury Board of Canada Secretariat, indicates that the internal audit capacity within the federal government (indeterminate employees) increased 152% between 2005 and 2010.

63. Interviewees, both internal and external to ASC, noted that ASC provides a training ground for future auditors within the federal government. This observation was validated by the respondents to the online survey. In the evaluation survey, 11% of respondents were former ASC employees. However, the private sector was also a source of trained auditors, as 14% of evaluation survey respondents had worked for private sector auditing services firms.

64. Overall, the evaluation found that ASC, as a trainer of auditors, enhances the long-term audit capacity of the federal government. However, the private sector has also contributed to increased federal audit capacity.

Improved internal control systems, management of risk and enhanced stewardship across the Government of Canada

65. Risk management and good governance are key priorities of the Government of Canada. The Institute of Internal Auditors emphasizes audit must contribute to the improvement of risk management processes. Overall, the evaluation found that ASC has been successful in contributing to the achievement of this outcome.

66. As previously discussed, clients perceive ASC audits as contributing to improved internal control systems and risk management in their organizations and has led to improvements in the policies and programs of its clients. Given these findings and the fact that ASC clients cover a broad range of federal departments and agencies, it is

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reasonable to conclude that ASC is contributing to improved management controls; and to enhanced risk management and stewardship across government.

EFFICIENCY AND ECONOMY

67. Demonstration of efficiency and economy is defined as an assessment of resource utilization in relation to the production of outputs and progress toward expected outcomes. Efficiency refers to the extent to which resources are used such that a greater level of output is produced with the same level of input or, a lower level of input is used to produce the same level of output. Economy refers to minimizing the use of resources. A program has high demonstrable economy and efficiency when resources maximize outputs at least cost and when there is a high correlation between minimum resources and outcomes achieved.

Efficiency

68. Since the separation of ASC and Government Consulting Services, ASC has experienced fluctuations in its human resources levels in recent years, as illustrated in Exhibit 7. Its current complement is approximately 130. ASC also uses temporary staffing, including acquiring staff through Temporary Help Services, to provide additional capacity to meet client needs.

Exhibit 7: ASC Historical Staffing Levels – Full-Time Equivalents

	Fiscal Year					
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Full-Time Equivalents	170	166	149	158	170	130

Source: ASC data

69. ASC has demonstrated an increase in productivity in the recent fiscal year, likely due, in part, to staffing restrictions imposed on the organization in 2009/10 as a means to reduce the ongoing deficit and the implementation of fees for executive-level staff. As of October 2010, ASC's average billable utilization was 68% compared to a three-year average of 56%. However, billable utilization was inconsistent across all offices in 2010: five offices had utilization rates between 70% and 87% while four offices had billable utilization rates in below 65%. Despite the wide range of utilization rates, two-thirds of the offices experienced recent increases in their billable utilization rates.

70. Overall, ASC has been able to increase their operational efficiency in most regional offices, recently. In the absence of formal billable utilization targets, demonstrated increases in billable utilization rates are indicative of improved efficiencies.

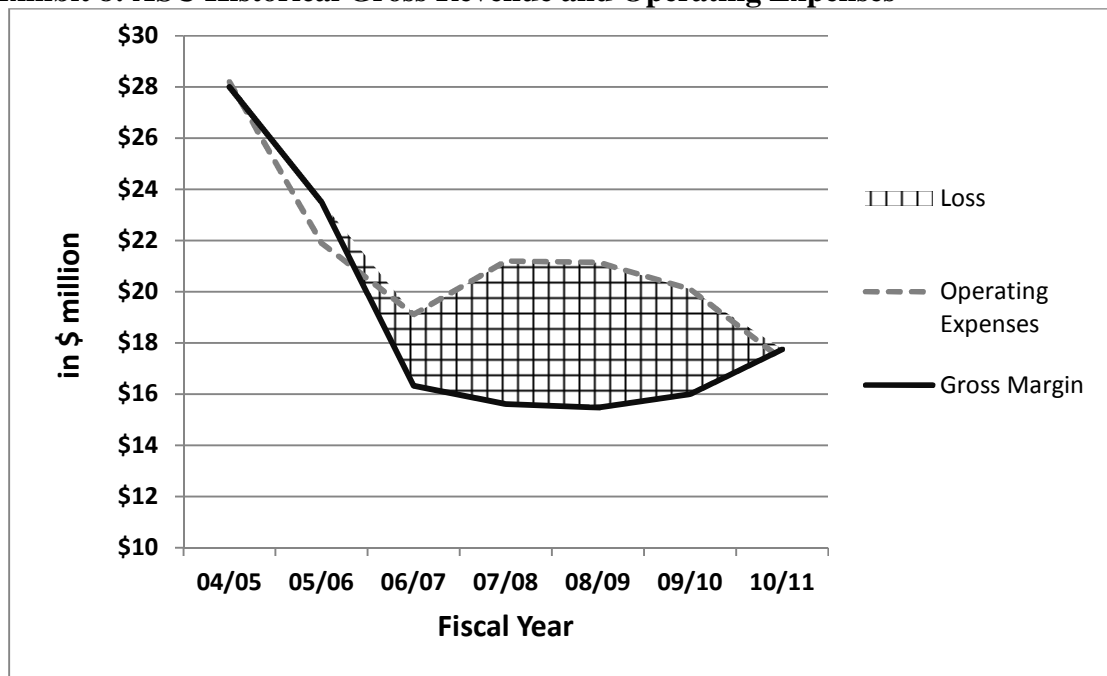
Economy

71. Since the separation of ASC from CAC, the agency has not been able to consistently recover its costs. As a result, ASC had an accumulated deficit in their revolving fund of \$9.3 million by the end of 2009/10. ASC was granted permission to access the unused

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authority in the Consulting and Audit Canada Revolving Fund to fund part of its 2008/09 operating deficit. Due to this recurring shortfall, shown in Exhibit 8, ASC's performance has been under close scrutiny by senior management within ASC and PWGSC.

Exhibit 8: ASC Historical Gross Revenue and Operating Expenses



Source: ASC financial data

72. Transfer payment audits have been a key revenue source for ASC, accounting for nearly one-half of revenues over a three-year period. Cost audits historically have provided approximately one third of ASC's revenues; however, in 2008/09 this dropped to 19% as a result of a review by PWGSC of the Cost Audit Program. The review reduced the program's funding for audits to one-half of the expected levels. This contributed to a decline in ASC's revenues for that fiscal year. A recent MOU signed with PWGSC's Cost Audit Program has resulted in an increase in revenues from this business line for ASC in fiscal year 2010/11. Internal audit work has provided approximately 20% of ASC's revenue on a fairly consistent basis while other types of activities account for 5% or less of revenues. Exhibit 9 illustrates the revenues generated by ASC's cost-recoverable activities.

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Exhibit 9: Revenue by Service Line

Client	Fiscal Year Revenues					
	2006/07		2007/08		2008/09	
	\$ (000's)	% of Total	\$ (000's)	% of Total	\$ (000's)	% of Total
Cost Audits	\$5,820	32%	\$5,802	35%	\$2,938	19%
Transfer Payment Audits	\$8,489	47%	\$7,076	43%	\$8,441	55%
Internal Audits	\$2,981	17%	\$3,224	20%	\$2,860	19%
Other	\$772	4%	\$419	3%	\$1,206	8%
Total	\$18,062	100%	\$16,521	100%	\$15,445	100%

Source: ASC data

73. Several reviews examining the financial viability of ASC have been conducted dating back to before CAC was dismantled. Prior to the dismantling of CAC in 2005, a mandate review of CAC concluded that a stand-alone audit organization in the federal government “could not break-even on its own staff-fee based operations and hence would require an annual investment of approximately \$4 million.” This prediction has indeed become a reality for ASC. ASC has faced challenges in aligning resources with demand, as evidenced by underutilized staff during parts of year with low client demand and an inability to maintain sufficient capacity to respond to peak periods of client demand (especially during fiscal year end). As well, a high staff attrition rate has resulted in a decrease in billable utilization rates as new employees that have not previously worked in a government environment require more time for training and development and, consequently, have less billable time. In addition, the Professional Practice Function, part of ASC’s quality assurance process, has incurred a high opportunity cost that is not being recovered through projects because staff are using non-billable time to help develop the function. Finally, since MOUs with clients are not legally enforceable, ASC is at risk when prices are not negotiated appropriately or when clients lack the funding for amendments. In 2008/09, these issues accounted for an estimated \$1.4 million in lost revenue.

74. A high level review of ASC was conducted for PWGSC by an external consultant in December 2009. The mandate of the study included a review of ASC’s performance over the previous five years, including changes and trends in its client base. According to this report, challenges to achieving break-even have included sudden shifts in revenues due to changes in the audit plans of some major clients and the loss of delegation of contracting authority, which had been an important revenue source for the auditing services component of CAC. Overall, the report cited low productivity and an apparent annual structural deficit in the order of \$5 million as two key findings.

75. The report presented two options. One option was to make a final effort to achieve cost recovery, including making the success of ASC a corporate responsibility and a stated goal of PWGSC; actively promoting ASC internally and externally; removing the staffing constraints; and re-instating ASC’s authority to hire sub-contractors. The second option discussed a range of alternatives from changing the breakeven approach,

transferring ASC to another department, scaling down to concentrate on main clients, and exiting the optional auditing services business.

76. In 2009, ASC also undertook a fundamental review of its business lines which lead to the development of its 2010/11 Business Plan. The review was then assessed by PricewaterhouseCoopers who identified gaps and suggestions for further analysis. Specifically, PricewaterhouseCoopers suggested that detailed plans would be required to achieve the revenue objectives envisioned in the 2010/11 Business Plan and to increase productivity.

77. In response to these reviews, and the overarching financial situation, senior management focused on adjusting capacity and business planning to improve operations, as demonstrated in the 2010-11 Business Plan. This strategy appears to have had some success in the short term as ASC's financial performance improved significantly during the 2010/11 fiscal year.

Alternative Delivery

78. The delivery method of a program ideally should be strongly correlated with efficiency and economy. While alternative program delivery methods exist, it is preferred to use the delivery method that maximizes the use of inputs.

79. ASC provides audit services to individual departments or agencies that lack the internal resources or, in some cases, specialized skills, to carry out their audit workload. As such, ASC provides a fee-based service that duplicates services offered by the private sector. The issue is whether ASC can provide these services more efficiently and economically than the private sector or than client departments could provide to themselves by increasing their internal audit resources.

80. The available evidence indicates that ASC likely could not provide these services more economically than the private sector. An external review of ASC in 2009 concluded that, after three consecutive years of deficits of over \$5 million, the deficits had to be considered structural and not simply due to fluctuations in the marketplace. The review also indicated that ASC's low productivity was due, in part, to structural factors (inelastic labour supply, inability to hire short term contractors to meet workload peaks), implying that, to achieve full cost recovery, ASC would have to raise its rates unless these factors were changed. As such, based on the Make or Buy guidelines, it is unlikely to be cost-effective for the federal government to maintain this service internally. Where departments have a large, un-resourced audit program (e.g. PWGSC's Cost Audit Program), it may be more effective to increase internal resources. For shorter-term resource shortfalls or requirements for specialized skills, there is a large private sector capability to provide these services.

81. Based on a preliminary analysis in relation to the Treasury Board Make or Buy guidelines, it is unlikely that ASC is the most cost-effective option for departments to meet their audit-related needs in that, under the current operating environment, ASC does not appear to be able to fully recover its costs.

Conclusions: PERFORMANCE

82. Overall, the evaluation found that ASC has largely been achieving its outcomes. Clients reported that ASC provides high quality auditing services in a timely manner; however, in comparison to the private sector, ASC's satisfaction ratings were considerably lower. ASC's ability to adhere to the agreed upon costs and timelines appears to be the most prominent concern for clients.

83. In general, ASC has been able to support good governance and effective risk management with its clients and, through its work in contract cost auditing and transfer payment audits, ASC has provided assurance on contract payment accuracy. The findings and recommendations of ASC's work have been used to improve client policies and programs, and ASC has contributed to increased audit capacity in the federal government. However, the degree to which the achievement of these outcomes is unique to ASC is questionable. Since all auditors must adhere to the same international standards, private sector auditors or internal auditors in individual departments or agencies could likely achieve the same outcomes for their clients.

84. Overall utilization rates for ASC increased in 2010/11. While most regional offices have increased their utilization rates, others remain low, limiting the financial benefits of the higher performing offices. The recent staffing constraints appear to have been beneficial, as they allowed resource levels to align with demand.

85. At the time of the evaluation, ASC was unable to sustainably recover all of its costs and generated a considerable operating deficit since it was established as a stand-alone agency. ASC was able to fully recover its costs and generate a small surplus in 2010/2011. As well, the agency's reliance on a narrow client base is a risk for ASC; loss of demand from these clients would have an immediate impact on ASC's bottom line.

GENERAL CONCLUSIONS

86. *Relevance:* The evaluation found that, while the federal government has a continued need for auditing services, there is minimal continuing need for ASC to continue as a provider of these services. The collection of diverse value propositions cited by ASC as evidence for the continuing need for its services do not provide a compelling rationale for a centralized, optional audit service provider within the federal government. While there is demand for ASC services, improvements in the vehicles to engage the private sector, and individual departments' ability to carry out its own audit work have diminished the continued need for ASC. We note the private sector share of the audit services market has increased and the federal government has increased its internal audit capacity by 152% since 2005. The 2011 Strategic Review process also noted the availability of private sector audit services, and the introduction of new contracting tools to secure these services, as part of the rationale for eliminating ASC. Finally, while ASC's activities are aligned with the PWGSC strategic outcome, they are not directly linked to federal or other departmental priorities. Indirectly, ASC is linked to several federal and

departmental policies and legislation, in that it helps its clients meet their responsibilities outlined in these priority setting documents.

87. *Performance:* ASC provides quality auditing services in a timely manner; however, ASC's quality is perceived by clients to be lower than the private sector. The auditing services provided by ASC contribute to good governance and effective risk management in the federal government. However, these beneficial outcomes to clients are what would be expected of any audit program regardless of who provided the auditing services, as long as quality work was assured. There were indications that ASC's ability to deliver quality and timely auditing services; invest in improving the quality of its work; and invest in professional development has been put at risk by its inability to fully recover costs. ASC is an organization struggling to achieve cost recovery while providing timely, high quality auditing services. In 2010/11, ASC was able to fully recover its costs and saw a significant increase in resource utilization, although some offices maintained relatively low utilization rates. Finally, ASC faced further operating challenges as it struggled to balance resources with the level of demand for its services, and saw an increased use of PASS by departments to contract with private sector audit firms.

IMPLICATIONS OF STRATEGIC REVIEW

88. At the time this evaluation was conducted, PWGSC was one of 13 departments reviewing its priorities through the Strategic Review process. As part of Budget 2011, the government announced the initiatives that PWGSC would implement, including elimination of some programs. In identifying ASC for elimination, it noted that professional audit services are readily available in the private sector and that the organization has not achieved its objective of cost-recovery. The review also noted that the introduction of new contracting tools has streamlined and accelerated the process to secure private sector audit services. The elimination of ASC is intended to better align PWGSC activities with its core mandate and leverage private sector services.

89. At the time this evaluation report was written, ASC had wound down its business activities and was finalizing continuity plans with its existing clients. ASC will cease to provide audit services as of March 2012.

90. In light of the wind-down of the program, recommendations for response and actions by program management are not presented in this evaluation as a final decision on the future of the program has been taken.

ABOUT THE EVALUATION

The evaluation examined Audit Services Canada (ASC), a Special Operating Agency reporting to the Assistant Deputy Minister of Public Works and Government Services Canada's (PWGSC's) Departmental Oversight Branch. The objective of the evaluation of the Audit Services Canada was to assess the program's relevance: the continued need for the program, its alignment with Departmental and Government priorities, and its consistency with federal roles and responsibilities. The evaluation also determined the program's performance: the program's achievement of its expected outcomes, and its demonstration of efficiency and economy.

Approach

The evaluation was conducted in accordance with the Evaluation Standards of the Government of Canada and the Office of Audit and Evaluation of PWGSC. The evaluation took place between August 2010 and March 2011 and was conducted in three phases: planning, examination and reporting. To assess the evaluation issues and questions, multiple lines of evidence were used.

Document Review: Over 40 documents were reviewed in this evaluation to consider the evaluation questions related to both relevance and performance. Most contained information and data related to ASC operations, performance measurement, quality assurance and marketing practices. Some documents addressed a broader analysis of ASC through a number of reviews it has undergone in the last few years. The documents also included relevant government-wide policies relevant to ASC work and TB submissions.

Secondary and Administrative Data Review: A review of administrative data was conducted to look at issues of performance in more details. Data sources included client surveys completed from 2005 to current, performance measurement information contained in excel spreadsheets, and financial statements.

Stakeholder Interviews: Forty three key stakeholders were interviewed for the evaluation. These consisted of ASC clients (20), as well as ASC senior staff (13). Interviews were also conducted with senior staff from PWGSC (3) and TBS/OCG (3). An external perspective was gained from four interviews with private sector firms that provide auditing services. The stakeholders were asked a number of questions relating to the relevance, performance, and cost-effectiveness of the ASC.

Case studies: Three cases studies were undertaken examining three projects completed by ASC. The projects selected included one of PWGSC's Cost Audit Program's projects, one of Public Safety Canada's Disaster Financial Assistance Arrangements projects, and a project undertaken for Indian and Northern Affairs Canada. For each project a file review was undertaken and interviews were conducted with both the project manager and the client. Case study questions focused on the performance of ASC during the project.

Online survey of clients and Chief Audit Executives: A list provided by ASC of all their clients who had been sent a request to participate in ASC's client satisfaction survey and a list of Chief Audit Executives obtained from an Internet search was merged to create a list of all clients from the past five years and current Chief Audit Executives. This list numbered 546 individuals, all of whom were sent the evaluation survey questionnaire. In total, 131 individuals responded to the survey questionnaire. All individuals who did not respond initially were followed up by telephone if a number was available on the survey list or if they could be located in GEDS. As a result of this process it was determined that 156 could not be reached due to invalid contact information or because they were not the appropriate contact. Removing these cases from the counts, in total there were 390 potential respondents to the survey. Based on this population, the survey response rate was 33.6% (131/390). Some participants did not answer all of the questions; however, approximately 30.5% (119/390) answered almost all questions.

Methodological Limitations

The methodology used for this evaluation has a number of significant strengths mainly in terms of thoroughness and accuracy but is subject to several limitations. The key approach to reducing the limitation of certain methodologies was to ensure that we triangulated all data by using a multiple-lines-of-evidence approach.

Stakeholder Interviews: Stakeholder interviews are subject to various pitfalls that threaten the reliability and validity of the data collected, e.g., sampling bias, response bias, sensitivity of respondents to the questionnaire, interviewer bias. Senior interviewers were used to minimize these risks and efforts were made to ensure a high success rate in reaching, scheduling and completing interviews while attempting to minimize response burden.

Case Studies: The intent of the case studies was to obtain more in-depth information on some of ASC's main business lines. Consequently only a few case studies were completed. Because of the small number of case studies, any generalization beyond these specific cases should be very limited.

Online Survey: Although the response rate was fairly high for an online survey, particularly considering the list contained many high level senior managers including individuals who had participated in other data collection activities (case studies and stakeholder interviews), a response rate of 34% raises the potential for response bias that could affect the accuracy of the survey findings. Where possible, the survey findings were validated with other lines of evidence collected for this evaluation including ASC's client satisfaction survey, stakeholder interviews and the document review.

Reporting

Findings were documented in a Director's Draft Report, which was reviewed by the Office of Audit and Evaluation's quality assessment function. The program's Chief

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Executive Officer was provided with the Director's Draft Report and a request to validate facts and comment on the report. A Chief Audit and Evaluation Executive's Draft Report was prepared and provided to the Assistant Deputy Minister, Departmental Oversight Branch, for acceptance as the Office of Primary Interest. The Draft Final Report was presented to PWGSC's Audit and Evaluation Committee for the Deputy Minister's approval in November 2011. The Final Report was submitted to the Treasury Board of Canada Secretariat's Centre of Excellence for Evaluation and posted on the PWGSC website.

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APPENDIX A – EVALUATION MATRIX

Evaluation Question	Indicators	Data Source
Relevance		
1. Is ASC consistent with PWGSC and government-wide policies and priorities?	<ul style="list-style-type: none"> ▶ Evidence that ASC activities, outputs and intended outcomes are consistent with documented PWGSC and government policies and priorities 	<ul style="list-style-type: none"> • Document review <ul style="list-style-type: none"> – Speech from the Throne – TB Submission: access the unused authority in the Consulting and Audit Canada Revolving Fund – Decision of Treasury Board March 25, 2009. – PWGSC Departmental Performance report – PWGSC Report on Plans and Priorities 2009-2010 • Stakeholder opinions senior PWGSC and past and present ASC staff and clients
2. Is the rationale for ASC still valid and in alignment with Federal roles and responsibilities?	<ul style="list-style-type: none"> ▶ Evidence that the rationale for ASC is still aligned with current federal roles and responsibilities ▶ Evidence that ASC rationale is still valid and that it has a sound value proposition ▶ Evidence of ASC strengths and opportunities to grow the business ▶ Evidence of threats and weaknesses to ASC value proposition 	<ul style="list-style-type: none"> • Document review <ul style="list-style-type: none"> – Speech from the Throne – TB Submission: access the unused authority in the Consulting and Audit Canada Revolving Fund – Decision of Treasury Board March 25, 2009. – PWGSC Departmental Performance report – PWGSC Report on Plans and Priorities 2009-2010 • Stakeholder opinions senior PWGSC and ASC staff and clients • ASC administrative and secondary data • Case studies • Regional Reviews • Survey

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Evaluation Question	Indicators	Data Source
Performance		
3. Has ASC achieved its expected outcomes?	Human Resources <ul style="list-style-type: none"> ▶ Evidence that ASC has improved competencies <ul style="list-style-type: none"> – Number of auditors trained – Training hours per personnel ▶ Evidence that ASC has increased capacity (knowledge and experience) within the program <ul style="list-style-type: none"> – Number of auditors on staff by level – Change in number of auditors on staff ▶ Evidence that ASC has improved resource flexibility and responsiveness ▶ Evidence that ASC has contributed to building long term audit capacity in the government ▶ Evidence that ASC has built audit specialisations that meet the needs of clients 	<ul style="list-style-type: none"> • ASC administrative and secondary data <ul style="list-style-type: none"> – Learning and training plans for personnel – Staff competency assessments – Staff performance reviews – Training courses/knowledge sharing provided in house and externally – Standing offers, recruitment processes for staff, staff recruitment numbers – Staffing/succession plans – Authorizations for contract of casual/contract staff • Document review <ul style="list-style-type: none"> – Professional Practice Function guidelines and policies – Bi annual budgets and forecasts – Performance reports to Oversight Branch • Stakeholder interviews, PWGSC and ASC staff, internal and external clients, ASC alumni • Case Studies • Regional Review
	Management and Administration <ul style="list-style-type: none"> ▶ Evidence that ASC has increased effectiveness of internal budget and monitoring ▶ Evidence that ASC has improved and more accurate contracting process 	<ul style="list-style-type: none"> • ASC administrative and secondary data <ul style="list-style-type: none"> – Internal bi yearly budget – end of year accounts – MOU's and their proposed costing – Risk assessments of MOU's – Performance data of actual project costs • Stakeholder interviews with senior PWGSC and ASC

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Evaluation Question	Indicators	Data Source
		staff <ul style="list-style-type: none"> • Document review <ul style="list-style-type: none"> – Financial reports to Oversight Branch – Annual reports – Annual operational risk assessments
	Performance Information and Communication <ul style="list-style-type: none"> ▶ Evidence that ASC has improved information management ▶ Evidence that ASC has fair and reliable departmental performance reporting ▶ Evidence that ASC has increased productivity <ul style="list-style-type: none"> – Number of audits and related assignments – Value of audits and services provided – Change over time in the number and value of audits and related services 	<ul style="list-style-type: none"> • ASC administrative and secondary data <ul style="list-style-type: none"> – Communication plans – Performance measurement data – End of year accounts – Order books – Productivity rates for staff – Billable and non billable hours • Document review <ul style="list-style-type: none"> – Financial reports to Oversight Branch – Performance reports to Oversight Branch • Stakeholder interviews with senior PWGSC and ASC staff

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Evaluation Question	Indicators	Data Source
	<p>Audit, Assurance and Accounting Services</p> <ul style="list-style-type: none"> ▶ Evidence that ASC has providing quality and timely services to clients <ul style="list-style-type: none"> – Percentage of clients indicating that auditing services meet their needs (quality, timeliness and value of service). – Testimonial feedback of how ASC does or does not meet the needs of its clients – No. of recommendations actioned from audit reports by clients – Reported impact of ASC activities by clients ▶ Evidence that ASC has supporting good governance and effective risk management <ul style="list-style-type: none"> – Extent to which audits meet auditing standards – Errors found – Evidence of adherence to Code of Ethics and Professional conduct April 2006 – Evidence of External Practice Inspection – Degree of independence from clients – Adherence to Internal Policies dealing with conflicts of interest 	<ul style="list-style-type: none"> • ASC Administrative and secondary data <ul style="list-style-type: none"> – Utilization data – Existing/historical client satisfaction survey results – Client feedback – Project performance measurement data – Number of ASC staff attending conferences – Internal bi yearly budget – MOU's and their proposed costing – Risk assessments of MOU's – operating guidelines and standards related accountability standards, conflicts of interest, accountability and quality assurance – Code of Ethics and Professional Conduct • Document review <ul style="list-style-type: none"> – Quality assurance reviews of projects – Financial reports to Oversight Branch – Performance reports to Oversight Branch – Annual operational risk assessment – External Practice Inspection reviews • Stakeholder interviews with senior PWGSC and ASC staff, internal and external clients, alumni • Survey • Case studies • Regional review

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Evaluation Question	Indicators	Data Source
	<ul style="list-style-type: none"> ▶ Evidence that ASC has engendered adjustment savings for clients ▶ Evidence that audit recommendations have been implemented by client and that ASC has assisted clients in improving their internal controls ▶ Evidence that ASC has building internal audit capacity in clients <ul style="list-style-type: none"> – No. of projects that assist and build capacity in other internal audit shops. – No. of clients who have established an audit plan as a result of ASC support – No. and % of former ASC operating in other government departments ▶ Evidence that ASC meets service standards 	
4. Is ASC undertaking it activities in an efficient manner?	<ul style="list-style-type: none"> ▶ Evidence that ASC is monitoring its costs <ul style="list-style-type: none"> – Cost per audit (by category of audit/review and region) – Cost per dollar saved (by category of audit/review and region) 	<ul style="list-style-type: none"> • ASC Administrative and secondary data <ul style="list-style-type: none"> – Utilization data – Existing/historical client satisfaction survey results – Client feedback – Project performance measurement data – Number of ASC staff attending conferences

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Evaluation Question	Indicators	Data Source
	<ul style="list-style-type: none"> – Amount of non-billable hours per project – Cost per training session – Costs of Professional Practice Function – Program expenditure within budget – Average overhead cost per capita ▶ Evidence that ASC is increasing the quality of its outputs within its current resource levels against previous years. – Number of project completed within time frame and to budget – Reduced non billable hours – Improved quality assurance reports – Improved External Practice Inspection reviews ▶ Evidence that resources are appropriately allocated under ASC ▶ Evidence that ASC provides quality services to government more efficiently than the private sector 	<ul style="list-style-type: none"> – Internal bi yearly budget – MOU's and their proposed costing – Risk assessments of MOU's • Document review <ul style="list-style-type: none"> – Quality assurance reviews of projects – Financial reports to Oversight Branch – Performance reports to Oversight Branch – Annual operational risk assessment – External Practice Inspection reviews of audits • Stakeholder interviews with senior PWGSC and ASC staff, internal and external clients, alumni, private sector • Case studies • Regional review