

# Interview with the Auditor General of Canada – Sheila Fraser, FCA



**Sheila Fraser, FCA**  
**Auditor General of Canada**

*Sheila Fraser is completing the fifth year—the half-way mark—of her 10-year term as Auditor General of Canada. Both the federal government and the Canadian public continue to express their support and appreciation to the Auditor General and her staff for the work that they do. In 2005, Parliament expanded the Office's mandate to include most Crown corporations and give it access to foundations and other non-profit organizations that receive more than \$100 million in grants and contributions over five consecutive years. In 2006, the government proposed a further expansion of the Office's mandate as part of the proposed Accountability Act.*

*We recently had an opportunity to speak with the Auditor General about the Office's accomplishments, the challenges they have faced, and what may be in store for the future. Excerpts from that interview follow.*

***Since you became Auditor General, you've had contact with thousands of Canadians from all walks of life and all parts of Canada. What have you found to be the most common misconceptions about your role and mandate?***

A lot of people seem to think that we are like a cop—that we are out there to try to find misdoing and corruption. That is not our role. In addition, people don't seem to understand the size and complexity of the federal government and they think that we audit everything. Obviously we can't. Even over a 10-year term, there are parts of government that we will never audit.

I guess the number one misconception about the Office is that we are a government watchdog. The reality is that we work for Parliament and they are the watchdogs. Our role is to provide them with the information that they need to do their jobs well.

Hopefully we'll be able to change that view through the speeches and presentations that we do and in our responses to the many letters we receive from Canadians.

***What have you and the Office accomplished in the last five years that makes you proudest?***

We've had a very challenging five years, particularly with the sponsorship audit and the Gomery Commission. I am very proud that we came through all of that with our credibility intact. We have an enviable reputation, not only here in Canada but also internationally, which I believe is a testament to the great work of my staff. They ensure that all of our audit reports are accurate, methodologically sound and, if chal-

lenged, are able to withstand any scrutiny.

In 2003, an international team of peers from other national audit offices reviewed the design and operation of our quality management framework for performance audits. We were the first national audit office in the world to undergo such a review. The review concluded that our performance audit practices provide Members of Parliament with independent, objective and supportable information that they can rely on to examine the government's performance and hold it to account. Parliament has certainly demonstrated that they have confidence in us by expanding our mandate—naming us auditors or joint auditors of three additional crown corporations and giving us access to foundations. That is the greatest testament to our credibility and to the value that we provide.

***What are some of the challenges for your Office moving forward?***

I see three major challenges. One challenge is managing expectations. Given the recent attention we have been receiving, I think people may expect things of us that are unrealistic or not feasible, given our role.

Another ongoing challenge will be to ensure that we have the right people at the right time to do the work. As with many organizations, there are a number of forthcoming retirements. We have to continue to hire people, train them, and ensure that they integrate into the Office as quickly as possible.

The third challenge is the minority government. It is possible that parliamentary calendars will be disrupted by elections or

Sheila Fraser was appointed Auditor General of Canada on 31 May 2001.

Born in Dundee, Quebec, Ms. Fraser earned a Bachelor of Commerce degree from McGill University in 1972 and became a Chartered Accountant in 1974.

As Auditor General, Ms. Fraser has focussed the Office's efforts on serving the needs of parliamentarians and ensuring they have objective and reliable information with which to scrutinize government activities and hold the government to account for its stewardship of public funds. She has promoted the use of plain language in the Office's performance audit reports tabled in the House of Commons. At her initiative, Canada was the first legislative audit office to request a review of its performance audit practice in an effort to provide assurance about the quality of its work. In 2004, an international team made up of representatives of the legislative audit offices of the United Kingdom, Norway, France and the Netherlands completed a highly favourable report.

Before joining the Office, Ms. Fraser enjoyed a fruitful and challenging career with the firm of Ernst & Young, where she became a partner in 1981. In the Quebec City office, she was responsible for a wide range of private and public sector clients. She participated in several assignments with the Auditor General of Quebec, as well as with several departments of the Government of Quebec. She joined the Office of the Auditor General of Canada as Deputy Auditor General in January 1999.

Ms. Fraser has always been active in her profession, at both the provincial and national levels. For her noteworthy service to the auditing and accounting professions, she was awarded the Prix Émérite 1993 and the designation "Fellow" by the Ordre des comptables agréés du Québec in 1994 and by the Institute of Chartered Accountants of Ontario in 2000. She received the Governor General's medal commemorating Canada's 125th anniversary in 1992. Ms. Fraser has also been awarded honorary Doctor of Laws degrees from Simon Fraser University, Queen's University and the University of Waterloo that recognize her contribution to the fields of accounting and legislative auditing. In 2006, she was recognized with the Faculty of Management Achievement Award from McGill University.

Ms. Fraser served as the Chair of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants in 2004-05. She currently chairs the Working Group on Environmental Auditing and the Sub-Committee on Independence of Supreme Audit Institutions, two committees of the International Organization of Supreme Audit Institutions (INTOSAI).

that they will be shortened. In the next few years, I don't think that we will be able to continue to produce the same numbers of reports, in the same fashion as we have in the past, given the shorter parliamentary schedule. We will have to look at different ways of getting our messages across and also getting parliamentary time to hold hearings on our reports.

***Based on the number of performance audits you've been involved in during the past 5 years, what would you say are the most common problems in the way government manages?***

I think the major issue in government management is really a lack of attention to the day-to-day "management" of programs and services. Some senior government officials tend to focus on policy issues, rather than on management. Parliamentarians are focussed on either policy issues or constituency work and quite often management challenges just don't get the time or the resources that they really need.

Not everyone is a natural manager, and in some cases managers probably have never had the right training. If we could get senior officials to recognize that management is an important function, I think we'll start to see some of these issues resolved.

***Are there any specific things that you've noticed that the government does particularly well?***

What has impressed me most is the quality of the people who work in government. I think

Canadians really underestimate the competence, the loyalty, and the professionalism of the Public Service of Canada. Every day, passports, cheques and many other services are delivered to Canadians across the country. Could these services be improved? Of course, but I think that we don't really appreciate how fortunate we are to have access to the programs and services that we have.

***Some people say that government is cumbersome and inefficient, while private companies are lean and well managed. Based on your 20 years experience in the private sector, how does government stack up against the private sector?***

I don't think the private sector is as wonderful as people think. There is some truth to the fact that the public sector is more cumbersome. However, large corporations in the private sector can also be bureaucratic. Unlike the government, the private sector does not have to consider issues like transparency and giving access to suppliers to do business.

Unfortunately, recent events in the private sector indicate that there are some serious issues around transparency and ethics. In my view, the public sector is far more transparent. A lot of information is available about how government programs and services are run. When the information isn't favourable, people may view the public sector in a negative way. But I can assure you that if the audit reports of some of the large private companies were published on the front page of the newspapers, they wouldn't all be glow-

ing testimonies to good management.

***How do you respond to those who say that your reports have created a climate in which public servants are afraid to take reasonable risks?***

We have tried in our audit reports to say that the really serious examples of mismanagement have been exceptions and that this is not typical of the way public servants manage day-to-day. However, I think it's probably a normal reaction to our findings that people become overly cautious, which can make them afraid to take risks and make mistakes.

I believe that now the pendulum has swung too far from flexibility to over control. I think that my Office has to try to help highlight good management practices where controls and accountability are working well but the process is overburdened. We have consistently said that we don't need more rules—we probably have too many. It's just that there are some really important rules that should always be respected and we have found cases in our audits in which, they were not (such as some of the basic rules about contracting).

***One of your innovations is the Status Report, which is devoted to follow-ups of government's progress in implementing the recommendations of previous audits. What has been the impact of this report and has it succeeded in capturing Parliament's attention?***

I am really pleased with the Status Report



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and the impact that it has had. Status Reports are important because they tell parliamentarians and Canadians what the government has done in response to recommendations made in our previous reports. In other words, Status Reports answer the question: Has the government taken action in response to the Auditor General's reports?

In the Status Report, we look at what government has done to address an issue, and conclude whether progress in implementing our recommendations has been satisfactory or unsatisfactory. We recognize that some of the issues are highly complex and that some recommendations are clearly more difficult to carry out than others. We take this into account, along with the amount of time departments have had to act, when we assess whether progress has been satisfactory or unsatisfactory. In the Report, we give credit where there has been improvement and we call attention to areas where progress has not been satisfactory. It is up to departments to determine how they want to resolve the issues that we've raised.

Parliamentary committees have been asking us to follow-up on longstanding problems that the government has not yet addressed. I think the departments are moving to resolve these matters more quickly, as indicated in their action plans. Overall, I feel that the Status Report shows that government does take action.

***You've been a strong supporter of internal audit in government since you took office. You've noted that many of the issues you have been called upon to audit were first caught by internal audits. You've also said that your work as an external auditor in many ways relies on solid work by internal auditors. What do you feel are the challenges that lie ahead for internal audit?***

It is critical for management to have in place systems and practices that give them the assurance that things are working as they should. Internal audit is one source of assurance. In cases where things aren't working well, internal auditors can signal weaknesses and make recommendations to address them. In fact, many of the problems that we report in our audits are first raised by internal auditors. We share audit plans and risk assessments with internal audit in an effort to ensure that we avoid

duplication.

A few years ago, we did an audit on the internal audit function, which found that it needed to be more professional, and that there needed to be greater recognition of the function by senior management. I am hopeful that the new internal audit policy will give that function the credit and the recognition that it deserves.

But in my view, an element in building an effective, independent audit function is strong, sustained support from senior management. Another important challenge will be attracting and retaining enough qualified people to fill positions in internal audit in order to meet the requirements of the Policy on Internal Audit.

Audit Committees have an important oversight role to play in internal audit, including overseeing the internal audit group, strengthening its independence, and monitoring its performance. In the past we have recommended that departmental committees include outside members to enhance their independence. I am pleased that the new Policy on Internal Audit requires independent members on audit committees.

***You've commented in your reports to Parliament on the need for greater expertise and leadership in financial management in departments and agencies. Do you think any progress has been made in this area?***

Yes, I think a fair bit of progress has been made. The appointment of a Comptroller General was a good first step. The recognition that senior financial officers need to have a professional background in financial management indicates that this function is being taken more seriously.

There is still a way to go on this issue but things are moving in the right direction. I believe that there is a growing awareness that financial management in these very large, very complex organizations requires special training and expertise. I think that they are on the right track.

***The government has announced its intention to produce audited financial statements for departments and agencies by 2009. What implications will this have for the financial management community and for your Office?***

It's a little difficult at this moment to assess

what the impact will be on the management community. Some departments have begun to do readiness assessments. These will indicate whether departments are ready to produce auditable financial statements and what work still needs to be done in order to be ready.

The basis of the readiness assessment is sound financial controls. I expect that a fair amount of work will need to be done to document and understand the controls in the management systems, particularly the financial systems. The expectation is that departments have sufficient systems, processes and controls in place to manage their financial matters. These systems should also be able to prepare financial statements that are produced in accordance with generally accepted accounting principles and Treasury Board Accounting Standards. The assessment should include a review of documentation to support financial statement amounts; a review of financial controls related to financial statements, including documentation of these controls; and a review to determine if there is sufficient financial capacity to produce financial statements that are ready for audit. I think this is going to take time and resources.

As for my Office, I don't think it will have much impact on us for some time yet. Obviously if we reach the point where we have to audit financial statements, that will increase our workload and we would have to think through how we would deal with that.

***Many look to you as a role model of a woman who has been successful in an important leadership position. Do you have any advice or suggestions for young people just getting started in their careers in the accounting profession?***

When I started my career, I made a promise to myself that I would enjoy what I did and that if I didn't like what I was doing, I would change my job. I would give that advice to anyone.

I think in order to be successful and to be good at what you do, you have to like what you do. I would encourage young professionals who are starting out in the accounting profession to work hard, to stay up-to-date, and to have fun at what they are doing. ■