SPECIAL OPERATING AGENCIES: AUDIT AND EVALUATION

Michael Thomas

A Word from CCMD

This paper is the eighth of a set of ten "issue papers" arising from a large-scale, collaborative research study on Special Operating Agencies (SOAs).

Special Operating Agencies are operational organizations which have a degree of autonomy within existing departmental structures, but which remain accountable to the deputy minister. Operating under a business plan and management framework which set out the results and service levels expected, each SOA negotiates certain financial, personnel, and administrative flexibilities from its parent department and from the Treasury Board. The aim is to give greater flexibility and scope to employees and managers in their operational roles and to encourage innovation and high performance in the delivery of services.

SOAs have functioned as a laboratory or testing-ground for change, and have pioneered such innovations as single operating budgets, person-year decontrol, and business plans. They have substantial experience with developments that are now affecting the rest of the public service.

The SOA initiative was first announced in December 1989, and the first group of SOAs was established in the spring of 1990. By 1993, enough experience with SOAs had been gained to warrant a general study, and the Canadian Centre for Management Development (CCMD) and Consulting and Audit Canada (CAC) began work on this subject. The scope of the project was expanded as the Office of the Auditor General became involved in response to interest expressed by members of Parliament (the Public Accounts Committee) who were aware of the Executive Agencies initiative in Britain and wanted information on similar developments in Canada.

It was agreed that it would be useful to have a general stocktaking of the SOA initiative, and that this would best be done as a collaborative research project involving the Canadian Centre for Management Development, Consulting and Audit Canada, the Office of the Auditor General, the Treasury Board Secretariat, and the Special Operating Agencies and their host departments. One feature of this collaboration was the development of a common research base which could be accessed by all who were involved in the research, analysis, and writing. The research base consists of interviews with the chief executive officers of the SOAs and the deputy and assistant deputy ministers to whom they reported; sets of documents, including the business plans, framework documents, and annual reports of the SOAs; and detailed profiles and self-assessments from the larger Agencies. This common research base was used in the preparation of *Special Operating Agencies: Taking Stock*, a report prepared by the Office of the Auditor General. It was also used for developing a set of papers focusing on specific issues related to SOAs. Drafts of these papers were taken into account in the preparation of the Auditor General's report.

CANADIAN CENTRE FOR MANAGEMENT DEVELOPMENT

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List of SOA Issue Papers

This is the eighth paper in a series on Special Operating Agencies to be published by the Canadian Centre for Management Development in partnership with Consulting and Audit Canada. This is the list of papers to be included in this series:

Overview of the Special Operating Agency Initiative
(J. David Wright and Graeme Waymark)

Special Operating Agencies: Autonomy, Accountability and Performance Measurement
(J. David Wright)

Special Operating Agencies: Issues for Parent Departments and Central Agencies
(Alti Rodal)

Special Operating Agencies: Business Plans and Annual Reports
(Doreen Wilson)

Special Operating Agencies: Financial Issues
(John Dingwall)

Special Operating Agencies: Human Resources Management Issues
(Betty Rogers)

Special Operating Agencies: Marketing
(John Dingwall)

Special Operating Agencies: Audit and Evaluation
(Michael Thomas)

Special Operating Agencies: Management Advisory Boards
(Jane Newcombe)

Institutional Analysis of Recent Machinery-of-Government Reforms in Australia, United Kingdom, France and New Zealand
(Denis St-Martin and Michael Collins)

Further information on this series may be obtained from: David Wright, Principal Consultant, Consulting and Audit Canada, who may be reached at (613) 995-8572.

CANADIAN CENTRE FOR MANAGEMENT DEVELOPMENT

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CANADIAN CENTRE FOR MANAGEMENT DEVELOPMENT

I Introduction

Purpose

As part of the mid-term stocktaking of the Special Operating Agency (SOA) initiative, Consulting and Audit Canada (CAC) and the Canadian Centre for Management Development were asked to prepare a series of issue papers on a variety of topics considered important to the SOA initiative. This paper, which is part of that series, is concerned with the issue of audit and evaluation of SOAs.

The paper addresses a number of questions in this regard. It considers the issue of accountability of SOAs and how that accountability differs from more traditional federal government organizations. It links the exercise of accountability to a performance review function and defines the roles of audit and evaluation in this review function. It proposes a range of performance measures for SOAs and explores the different perspectives of audit and evaluation in respect of these measures. It examines the application of performance frameworks to SOAs and provides an example of such a framework. It argues that performance frameworks would be of great value to SOA managers and stakeholders.

Background to the SOA Initiative

Contemporary efforts at reform of the public service and the process of government in Canada have their roots in the recommendations of the Glassco Commission of the nineteen-sixties. The emphasis of this Commission on "letting managers manage" can, perhaps, be defined as the starting point of a long, evolutionary transition in Canadian government, from a "control" orientation to an "accountability" orientation. This evolution has been manifested in such initiatives as the Increased Ministerial Accountability and Authority Initiative (IMAA) and, more recently, in Public Service 2000 (PS 2000) and – in relation to a number of programs or services with little or no policy components – in Special Operating Agency (SOA) status.

Like other initiatives which preceded (and parallelled) it, the SOA initiative was grounded in the movement towards a more innovative, results-oriented public service. This movement took on an added urgency in the eighties due to a number of factors, including increased global competitiveness, increasing government deficits, and the demands of the public for better service. Specifically, the challenge became not only to provide better service, but to do so while reducing costs. It was recognized that many operational areas of government could benefit from a more managerial approach to government.

Other countries had already reached and acted upon this recognition. The United Kingdom, for example, through its "Next Steps" initiative, has converted a wide range of government organizations into Executive Agencies, which have a high degree of autonomy but

which are accountable for service and financial results. The Agency concept had been used in Sweden for centuries and has been adopted in New Zealand and Australia.

The Canadian government had observed what was happening in the U.K. and elsewhere and decided that the Agency concept filled a gap in public sector organization in Canada.[1] Accordingly, in December 1989, the federal government announced the formation of five Special Operating Agencies. Three of these initial five Agencies were optional services; all of them operated fairly independently of their host departments; all had experience with revenue dependency; and four of the five had revolving funds.[2] Thus, the move to SOA status was, for these Agencies, more of a formal recognition of their autonomous status than a substantive change in their mode of operation.

While the initial five SOAs all had a business orientation, they were soon followed by nine more that had less of a business orientation and, being mandatory services, were less directly affected by market forces. Other SOAs are being contemplated, some by their host departments, in a variety of common service areas.

Currently, the focus of the SOA initiative seems to have broadened from a concentration on "business-like" units to a consideration of any organization which is primarily a "service provider," even some with a policy or regulatory role. Despite this move away from the original commercial focus, SOAs can be differentiated from mainstream federal government organizations in two key respects: autonomy and accountability.

Autonomy and Accountability of SOAs

The initial paper in this series by David Wright discusses the issues of autonomy and accountability of SOAs in detail.[3] The paper points out that there are two aspects to the autonomy of SOAs: formal and informal. The Agency's formal autonomy is set out in its charter document and may include such things as a revolving fund, separate employer status or authority to set fees for services. Informal autonomy represents the extent to which the SOA is allowed to operate at arm's length from the host department, in particular from the deputy minister (DM).

As pointed out in David Wright's paper, SOAs are somewhat limited in their formal authorities, but many have achieved a high degree of informal authority. As such, they represent a shift away from the old command and control management system to one based on mutually agreed goals or objectives.

As Wright points out, this shift embodies certain risks, which can be broadly classified under two headings:

(i)   risks of deviation from the national interest or public values; and

(ii)   risks of failure to maximize performance of the SOA.

Addressing the first type of risk entails making certain that the Agency has appropriate control systems in place to ensure compliance with relevant policies and values. Addressing the second entails the establishment of significant performance targets and holding the organization accountable for meeting these targets.

Thus, for SOAs, accountability is the corollary of autonomy. SOAs have two primary accountability relationships: to their host department and to central agencies. In addition, they are also accountable, indirectly, to their minister and to Parliament. They may also be accountable, in a less formal fashion, to other stakeholders, such as clients, the public, partners or employees.

This accountability has two aspects: accountability for compliance with relevant public policies and values and accountability for meeting service and financial objectives. Wright indicates that the accountability relationship between the SOA and the host department (and central agencies) differs from traditional federal government accountability relationships primarily in emphasis. SOAs must still demonstrate that they have in place control systems to ensure they are compliant with federal government policies. Conversely, most senior level accountability relationships in the federal government involve some degree of empowerment and accountability for results. The SOA initiative simply focuses much more explicitly on results rather than compliance.

This increased emphasis on results, together with the higher degree of autonomy enjoyed by SOAs (compared with more traditional government organizations) means that, if anything, an effective accountability regime is of the highest importance. It also raises questions as to how SOAs should meet these accountability requirements. For example, for what aspects of its performance should an SOA be accountable? What are the roles of audit and evaluation, respectively, in the accountability regimes of SOAs? How can audit and evaluation contribute to better management and accountability of SOAs? In the remainder of this paper we will explore these issues.

II Accountability and the Review Function

The Review Function and SOAs

Accountability implies that performance be reviewed. One cannot answer for performance that one has not measured. As Wright has pointed out in the issue paper cited above, the charter documents and business plans of SOAs are supposed to be the main mechanisms for defining the mandate and objectives and the performance targets of the Agency. Annual reports were to be the main vehicles for reviewing and reporting on performance. These mechanisms may be supplemented by other instruments, such as management letters or accords between the DM and the SOA head. As Wright points out, however, the business planning/reporting cycle has not yet replaced more traditional federal government accountability mechanisms, such as the Estimates process, in relation to SOAs. Nevertheless, whatever the particular reporting mechanism, self-assessment by SOA management has been the primary source of information on the performance of these Agencies.

Is performance reporting based on self-assessment by managers sufficient for effective accountability? The 1994 Treasury Board consultation draft on Performance Review[4] suggests that, in addition to self-assessment, other review tools should be used by departmental managers to obtain the broad range of information required to assess performance of government programs. Three essential review tools identified in the Treasury Board draft are:

(i)   Management Self-Assessment

(ii)   Internal Audit[5]

(iii)   Program Evaluation.

Audit and evaluation are, respectively, secondary and tertiary review functions. But is there a need for audit or evaluation of SOAs? After all, many SOAs operate on a full cost-recovery or revenue-dependent basis. It might be argued, therefore, that there is no need to address fundamental questions about the relevance of the SOA or its services through an evaluation. If clients think the service is valuable, they will make use of it; if they do not, they will find alternatives and the decision as to the need to maintain or eliminate the SOA will be relatively straightforward.

It could be argued that the financial performance of the SOA is the fundamental indicator against which the performance of the SOA should be measured; other measures such as quality of service, while of interest, would play second fiddle and, in fact, would be measured indirectly through financial performance.

There are good reasons, however, for thinking that financial performance, while a necessary condition of the success of an SOA, is not a sufficient condition and that SOAs must be assessed against other performance criteria. Any service-providing organization which relies solely on financial performance as a guide to its performance will likely soon be out of business, particularly if it operates in a competitive environment. Such an organization will fail to recognize fall-offs in its quality of service and evolving customer needs; it will likely be displaced by alternative service providers.

There are also good reasons to think an accountability regime which relies primarily on the review and reporting of performance by SOA management is inadequate, and that audit and evaluation have significant roles to play in the accountability regimes of SOAs.

First, SOAs, whether they like it or not, are subject to federal government policies with respect to audit and evaluation. SOAs have not been excluded from Treasury Board policies on audit and evaluation. Further, the Auditor General of Canada, in his 1993 Annual Report, indicated that the evaluation of effectiveness is an essential component of the accountability of ministers to Parliament and of the government to the public. He also indicated that SOAs are subject to the federal government evaluation policy.[6]

Even if this were not the case, management self-assessments will not meet the needs of all of the stakeholders in an SOA. Different stakeholders have different interests and priorities with respect to reviewing the performance of SOAs. The DM, for example, is concerned primarily, on a day-to-day basis, with the financial performance of the SOA, with the quantity and quality of outputs, and with ensuring that the SOA is complying with relevant policies, statutes and regulations. Both the DM and other stakeholders such as Treasury Board or Parliament may, however, wish to ask fundamental questions about the SOA from time to time. Many of these questions are not normally answered by the kind of information available in annual reports and other SOA management self-reporting mechanisms.

In addition, there is a need to provide, periodically, third party, objective assessments of SOA performance as there is for any government program. Although some SOAs provide optional services which compete with the private sector, not all of them do. In any case, for private sector firms, indicators such as share price, credit ratings and independent assessments by brokerage houses provide external indices of the "value" of the firm.[7] Even those SOAs which are revenue dependent, optional services lack these external indices which would provide a credible, objective, third party valuation of performance. Further, even these optional services may contribute to government policy objectives, an aspect of their effectiveness which cannot be measured by their financial performance. Consequently, more formalized processes are needed to verify and add credibility to valuations based on self-assessment.

Finally, audit and evaluation can play a broader role as providers of services to SOA management. For example, they can be used to identify opportunities to improve management practices and controls; to revise services and delivery strategies to better meet clients' needs; and to develop effective performance measurement and management control systems for SOAs.

SOA management, for all of the above reasons, should be making use of audit and evaluation, both to improve the effectiveness of the management of the SOA and to discharge their accountability responsibilities. Both audit and evaluation can contribute to more effective management of SOAs and, thus, to the success of this initiative. A discussion of how they can do this and the particular roles of audit and evaluation in the accountability regimes of SOAs follows.

The Review Tools and their Roles in SOAs

Each of the three review tools − management self-assessment, audit and evaluation − has a role to play in the accountability regimes of SOAs. These roles can be defined with respect to SOAs on the basis of several primary characteristics. These are:

(i)   the audience/stakeholder to whom they provide accountability;

(ii)   the specific purposes for which they are used; and

(iii)   the aspects of performance with which they are concerned.

In the remainder of this section the roles of these review functions in the context of SOAs are differentiated. Following this, we will propose a range of performance measures for SOAs and will contrast the emphasis of each of these review tools on aspects of SOA performance**.**

Management Self-Assessment

Management self-assessment includes any review activity undertaken by managers to improve program performance or management. Review activities range from ongoing monitoring and performance measurement, through control self-assessments to client surveys and special studies of specific issues. These activities usually have three main purposes:

(i)   to keep the host department (usually the DM) and central agencies informed of results in relation to targets, particularly with respect to financial performance;

(ii)   to assist SOA management in monitoring performance, identifying problem areas and initiating corrective action where required; and

(iii)   to provide a basis for the establishment or modification of strategic directions for the SOA;

As the 1994 Treasury Board draft policy on Performance Review points out, self-assessment applies to three aspects of performance:

(i)   *performance self-assessment* which, in the case of SOAs, involves defining service standards and targets, and financial goals, and monitoring and reporting on results against these;

(ii)   *control (management) self-assessment* which reviews the risks, efficiencies and adequacies, from a control perspective, of management and operational systems and processes; and

(iii)   *policy assessment* which is the examination of the SOA's contribution to government policy objectives.

For SOAs, the focus of self-assessment is primarily on performance and on strategic issues related to performance, especially for those SOAs which are optional service providers with minimal or no policy role.

Management self-assessments are the primary means by which an SOA's accountability responsibilities to the host department are currently met. Secondarily, SOA management also reports to central agencies but this is usually accomplished through some of the same reporting mechanisms used to account to the host department.

Most SOA heads see themselves as accountable to other stakeholders. These include clients of the services of the SOA, private sector or public sector partners, SOA staff, or the public. These accountability relationships may be seen as broadly based or as embodying specific accountabilities. For example, CORCAN sees itself as being in a bilateral accountability relationship with the correctional institutions in which it provides employment. These latter accountability responsibilities, while important, are not the main ones for most SOAs, however, and are not the primary focus of management self-assessments, such as annual reports.

The focus of SOA business plans is on establishing objectives and performance targets. Annual reports, interim management reports, meetings, personal briefings and other reports by management demonstrate the rationale behind the strategies and targets selected and account

for performance against those targets. The main emphasis of management self-reporting to date has been on service and financial performance.

The annual report is the most common mechanism for formal reporting by SOA management. Not all SOAs have produced an annual report each year, however. Furthermore, SOA heads also report on results through more informal processes such as interim financial reports, briefings or correspondence with the host department. The sources of information for these reports are usually the SOA's own financial and management information systems, although departmental information systems do provide data as well, in some cases.

Other self-reporting mechanisms include the estimates process and management letters or accords. Reports on the results of special studies are also a source of self-reporting, usually in the context of specific operational or compliance issues or for purposes of strategic planning.

Audit

SOA self-assessments, such as annual reports, tend to focus on financial results and service performance targets and, in some cases, on measures of efficiency such as productivity or unit costs (for example, CORCAN, Passport Office). While SOA managers are concerned with issues of compliance, they tend to deal with these as ongoing management issues and normally do not have in place formal systems for reviewing and reporting on these aspects of performance.

Various other stakeholders also have an interest in compliance, economy and efficiency. These stakeholders include the deputy, the minister, Cabinet, central agencies, Parliament and the public. All of these stakeholders will want assurances, from an objective, qualified third party, that the representations of management regarding these aspects of performance are fairly presented. Audit can provide this kind of accountability.

There are two types of audit relevant to SOAs: external audit and internal audit. Some SOAs make use of private sector external auditors in an attestation role for financial reporting. In addition, the office of the Auditor General acts as an external auditor to federal government programs with regard to a range of performance measures. The Auditor General provides assurance to Parliament and the public that the representations of the SOA regarding a wide spectrum of performance parameters are fairly presented. The other type of audit is internal audit, and it is with the role of the latter in respect of SOAs that this paper is concerned.

The internal audit of SOAs has several purposes. One is to provide third party assurances to the deputy and to central agencies that the SOA has in place appropriate systems

and controls to ensure compliance with relevant statutes and policies, the integrity of information, and the achievement of objectives. A second is to provide, through its mere existence, a deterrent to non-compliance, and thus to enhance the "control consciousness" within the SOA. A third is to contribute to better management of SOAs through the identification of potential improvements to management and control systems and practices.

Historically, audit has been concerned not just with compliance, but also with economy and efficiency. More recently, with the advent of comprehensive audit, it has been concerned with other aspects of performance, in particular, that of effectiveness. Typically, external auditors (such as the Auditor General) have directly measured and reported on effectiveness. The Canadian Comprehensive Auditing Foundation (CCAF), however, has recommended that public service managers make representations as to the effectiveness of their programs or activities and that auditors attest to the fairness of those representations.[8]

Since SOAs are in the vanguard of results-oriented management, they provide an excellent testing ground for this approach to audit, particularly in the context of internal audit. Under this model of accountability, SOA management would negotiate with the DM and other stakeholders an appropriate set of performance measures. They would be responsible for implementing systems which allow for the collection and analysis of data relative to those measures, and for reporting their results against the agreed-upon measures.

Internal auditors would examine the management representations periodically (every few years or so), and would assess the extent to which these representations were supported through Agency documentation and data sources. Presumably, these internal audits would be carried out by the internal audit staff of the host department. This would enhance the independence of the audit team and, presumably, add to the credibility of the audit findings.

One approach to this attestation role with respect to controls and compliance issues would be the use of control or management self-assessment. Under this process, SOA staff would be trained in control self-assessment and would then assess, with the assistance of control specialists, the adequacy and effectiveness of formal and informal control systems and practices. The results of the process include an assessment of strengths and weaknesses, improvement goals and action plans. The internal audit group receives the self-assessment reports and summarizes them in its annual reports to management; it also assesses the quality of the self-assessment and the process.

This suggests another role for internal audit in the context of SOAs, that of assisting SOA managers in developing performance and control measures, particularly for efficiency and compliance issues. These measures would define the control systems and processes and the management practices needed by the SOA to ensure that its operations comply with relevant policies; that it achieves its objectives in a responsible manner; and that it has defined

and can meet its accountability responsibilities. One way in which this role could be carried is through participation of internal audit in the development of performance frameworks for SOAs, a topic which is discussed in more detail later in this paper.

Another role for internal auditors is to carry out selected special studies of aspects of the SOA. This need may occur where there is evidence of internal problems in the management of the SOA; where the DM has concerns about the reliability or comprehensiveness of the performance information being received from management; or where there is concern that, despite the existence of systems for compliance, the SOA is not complying with federal government policies, statutes or regulations.

Accountability provided through audit, whether internal or external, will be less frequent than reporting by management. Other than the audit of financial statements, there is no need for SOAs to be audited on an annual basis. Internal audits of SOAs ought to be carried out periodically, as part of the long-term audit plan of the department. These audits should be timed so that the results of the audit can inform management decisions in the areas of strategic and operational planning.

Evaluation of SOAs

Program evaluation is the application of systematic research from many disciplines to assess performance, in particular effectiveness.[9] Unlike audit, however, the purpose of undertaking program evaluations is not primarily to provide a third party attestation or verification of management representations; rather, program evaluations typically are used to answer fundamental questions about the performance or relevance of a program — questions which are not usually the focus of management reporting — or they are used to identify changes that should be made in the design or operation of a program in order to improve its effectiveness.

The Auditor General's report for 1993 lists three reasons for conducting program evaluations. These are:

(i)   to assist in making decisions about resource allocation, thus contributing to control of the deficit;

(ii)   to help the public to determine the value they have obtained for their tax dollars;

(iii)   to enable public servants to take responsibility for results rather than process.[10]

While the formal client for program evaluation in the federal government is the deputy minister, the reasons cited above are indicative of a wider range of stakeholders in evaluation,

including central agencies, ministers, the Cabinet, Parliament, program clients and the general public. Program managers themselves have an interest in evaluation, as well, as a source of ideas for the improving the management and delivery of a program and for the development of useful, inexpensive performance measures.

Three specific evaluation activities can be identified which respond to the purposes noted above. These are:

(i)   summative evaluations;

(ii)   formative evaluations; and

(iii)   performance frameworks.

Summative Evaluations

Summative evaluations are periodic assessments of fundamental questions about the continued relevance of a program or service, the achievement of objectives and the broader impacts of the program, intended or unintended. They are normally carried out well into the life of the program or even after the program has come to an end. The results are used to determine whether to continue with or modify a program, to assist in decisions about program strategies and funding, and to document "lessons learned" about the impacts of the program so as to assist future policy decisions of the government.

Summative evaluations are as useful in the context of SOAs as they are to other government programs. Summative evaluations can address such fundamental questions about an SOA as:

(i)   whether there is still a requirement for the organization;

(ii)   whether it is operating consistently with its mandate;

(iii)   whether its additional flexibilities and authorities are necessary and/or sufficient for the success of the SOA;

(iv)   what should be the strategic direction for the Agency; and,

(v)   whether there are more cost-effective alternatives (such as privatization) to meeting the needs filled by the SOA.

The main audiences for summative evaluations of SOAs are deputies and central agencies. They will want independent information from time to time about the broader effectiveness and relevance of SOAs. The latter information would be used to assess the viability of the SOA initiative and its relevance to clients' needs, and to make decisions or recommendations concerning the future status of the SOA.

Ministers, the Cabinet and Parliament can also make use of summative evaluations to assist them in making decisions about the allocation of resources to SOAs, and about whether to continue the SOA as a public sector program. Program evaluations are also, of course, one means by which the government is accountable to the general public for how well their tax dollars are spent.

How frequently should summative evaluations of SOAs take place? This will depend on a number of factors, including the availability of funding and other priorities. Certainly, though, the nature of the SOA will be a determining factor. For those SOAs which are primarily optional service providers, operating on revenue dependency or cost recovery and competing with other service providers, management self-assessments normally provide an adequate review regime, if supplemented with financial and other audits every few years. Only infrequently will it be necessary to address more fundamental questions about the impacts, relevance or cost-effectiveness of the agency. Usually, this will occur when the there are circumstances calling for a strategic review of the SOA or the department. Even in the absence of external stimuli, however, it is desirable to revisit these SOAs occasionally to validate the assumptions underlying their mandates and to reaffirm their relevance.

For those SOAs which have more of a public sector orientation, especially those with a substantive policy or regulatory role, it is important that they be evaluated periodically. Unlike their more private sector-like counterparts, for these SOAs external indices of value either are lacking or are inadequate as a basis for evaluating performance. While these policy or regulatory functions can be the subject of management self-assessments, the latter tend to focus on objectives achievement rather than on the continued need for the SOA or its cost-effectiveness. In addition, to address these and related issues adequately requires the use of methodologies and data sources too expensive or complicated to comprise part of regular management reporting.

Because government philosophies, policies and strategies for achieving policy and regulatory objectives can change over fairly short periods of time, these SOAs may have to make use of evaluation more frequently in order to establish their continued relevance, success and cost-effectiveness.

Formative Evaluations

Formative evaluations are periodic independent reviews of the extent to which a program or service is achieving its objectives, whether it is doing so in a cost-effective and efficient manner and whether it is meeting the needs of clients through its activities. Formative evaluations are done primarily to assist program managers in assessing how well they are meeting client needs; in identifying problems in program operations or processes; and in making decisions about delivery approaches and service or product lines.

Formative evaluations can be of great use to SOA heads in accounting for the results they have obtained. Program evaluation can supplement and support self-assessments by SOA management, particularly with respect to the effectiveness of the services provided by the SOA and their relevance to client needs. More importantly, however, formative evaluations can be used to answer questions about the effectiveness of specific services or products and about the ways in which those products or services are delivered. SOA managers can use this information to modify their service lines, to identify new opportunities and to improve service delivery.

Formative evaluations can and should be used much more frequently than is currently the case in the federal government. SOA management should make use of formative evaluations whenever there is a need to verify or add credibility to their own assessments as to the effectiveness of their services; to assist them in making strategic decisions about service lines or products; and to assist in identifying needed improvements to services or delivery approaches.

Performance Frameworks

Evaluation staff can also make an important contribution to the ongoing management of SOAs. Program evaluation units normally have a great deal of experience in modelling programs and services, in defining objectives and intended impacts of activities, and in developing appropriate performance indicators for programs. Evaluation units have been preparing evaluation frameworks for federal government programs for a number of years. These frameworks are done in an effort to identify potential evaluation issues of a program and to specify related information requirements, especially those which could be met through ongoing data collection and management on the part of program staff.

Unfortunately, evaluation frameworks have not been prepared for many programs; when they have been, little use has been made of them by managers. There are two main reasons for this. First, reviewing and reporting on effectiveness was not typically seen in the federal government as the responsibility of program managers but rather of evaluators. Also,

even where program managers had an interest in effectiveness, they did not see the effectiveness indicators used by evaluators as useful to their needs.

Of more use to SOAs would be a performance framework which is directed at meeting the needs of both management and others with review responsibilities, such as audit and evaluation. This framework would specify the performance indicators against which the SOA's performance would be reviewed and the nature and sources of associated information requirements. It would also indicate the aspects of performance against which SOA management, audit and evaluation, respectively, would report.

A performance framework should be developed for each SOA as soon as possible after start-up. Development of such a framework not only would enable SOA management to be better prepared for audits and evaluations, but would ensure that they have a clear idea of what their own objectives are and how performance against these is to be measured. It would also clearly delineate the specific aspects of performance on which SOA management would report and the indicators they would use.

In the next section of this paper, a range of potential performance measures ideally suited for SOAs is presented and factors affecting their applicability to SOAs are discussed. The different emphasis of each of the review tools with respect to these attributes is also discussed. Subsequently, an example of a performance framework for a hypothetical SOA is presented to illustrate how such a framework could be used to articulate performance measures clearly and to identify responsibilities for reviewing and reporting on performance against these measures.

SOAs: Performance Parameters

Effective performance measurement is essential to the success of the SOA concept, both for ongoing management of the organization and in order to meet accountability requirements. It is important, therefore, that the performance measures against which the SOA reports results be relevant and meaningful.

In this regard, it should be kept in mind that most SOAs differ from more traditional federal government programs in certain respects and these differences are relevant to determining performance parameters. For example, many current SOAs provide optional services, sometimes in competition with private sector organizations. These SOAs operate much like private businesses and, like private sector firms, their financial performance, as indicated through such measures as volume of sales and gross and net profits, provides a basis for assessing their effectiveness.

Nevertheless, even private sector firms are not content with measuring their performance only on the basis of financial results. Most successful private sector firms collect and analyze information in relation to a range of performance measures, from service quality to employee satisfaction, in order to monitor their performance. In addition, many SOAs, even those which are optional, serve public or administrative policy objectives (for example, CAC). Financial performance cannot, by itself, provide a basis for assessing their performance in this regard. Furthermore, SOAs must comply with relevant government policies, statutes and regulations; this aspect of their performance must also be measured.

A range of measures, therefore, is required that recognizes both the requirement of SOAs to comply with relevant federal government policies, including those relating to economy and efficiency, and their accountability for results.

The measures contained in the Canadian Comprehensive Auditing Foundation's (CCAF) report on *Effectiveness: Reporting and Auditing In The Public Sector* provide a good starting point in this regard. The measures in this report are particularly relevant to SOAs, which are at the leading edge in terms of a results-oriented approach to public sector management.

The CCAF measures have been adopted here, with a few modifications. The modifications included adding measures, such as cost-effectiveness and quality of service, which were not included in the CCAF attributes but which are relevant to SOAs; and grouping the attributes under four categories – operational effectiveness, service effectiveness, cost-effectiveness and relevance. The attributes and their definitions are outlined in Table 1.

TABLE 1
SOA PERFORMANCE ATTRIBUTES

1. OPERATIONAL EFFECTIVENESS	
Compliance/Business Practices	*The extent to which the SOA's business practices reflect appropriate values and comply with all relevant policies, statutes and regulations.*
Efficiency	*The relationship between costs, resources and outputs.*
Working Environment	*The extent to which the Agency provides a positive, safe, work atmosphere, opportunities for development and achievement, and promotes commitment and initiative.*
Protection of Assets	*The degree to which important assets, such as property, key personnel, agreements and records are safeguarded.*
Monitoring and Reporting	*The consistency with which the SOA monitors and reports on key aspects of performance and organizational strength.*
2. SERVICE EFFECTIVENESS	
Financial Performance	*The extent to which the SOA has met or exceeded financial targets.*
Quantity and Quality of Outputs	*The extent to which the SOA has met or exceeded objectives for the volume and the quality of services.*
Responsiveness/Adaptability	*The ability of the SOA to adapt to changes in clients, competition, funding, technology or other factors.*
Balance	*The appropriateness of the balance maintained between competing objectives.*
Results/Impacts of Service	*The nature and extent of impacts, intended or unintended, on clients and others, resulting from the SOA's activities.*
3. COST-EFFECTIVENESS	*The appropriateness and efficiency of the SOA as a means of achieving its objectives, relative to alternatives.*
4. RELEVANCE	
Mission/Mandate Relevance	*The extent to which the articulated mandate and mission of the Agency address realistically an actual need.*
Management Direction	*The extent to which objectives, strategies, service lines and organization are integrated and communicated to employees and stakeholders.*
Service Design/Resource Allocation	*The extent to which the design of programs or services, and the allocation of resources to these and to investments in support of these, are based on sound analysis and planning.*
Systems Aspects	*The appropriateness of the authorities & flexibilities, and management and organization structure to the success of the SOA.*

The relevance of these attributes to assessing the effectiveness of individual SOAs will vary, depending on:

(i)   the nature and characteristics of the SOA, including the extent to which it has a financial "bottom line" and whether it fulfils a public or administrative policy function; and

(ii)   the purposes for which the performance of the SOA is being reviewed and the particular review tool being used.

Applicability of Measures to SOAs

There are a number of factors that will affect the applicability of these measures to individual SOAs. Among these are:

Private Sector vs Public Sector Orientation

A number of SOAs have what might be termed a "private sector orientation": they provide optional services, on a competitive, fee-for-service basis; they operate using revolving funds; and they are expected to recover costs fully or show a modest profit. Others have more of a "public sector orientation": they offer mandatory services; they have a policy or regulatory role as well as a service role; they are funded, in whole or in part, through appropriations; and they are not expected to recover all of their costs.

For those SOAs which are optional service providers with a financial "bottom line," financial measures, such as cost recovery or net profit, will be of high priority, especially in the context of regular management self-assessment. For these SOAs, the relevance of mandate and mission and impacts on clients or others, while important, is apt to be reflected in measures such as volume of business and bottom-line financial performance. These issues need to be evaluated directly only infrequently, and usually in the context of a strategic review of the SOA or of the department.

By contrast, the financial performance of SOAs operating on appropriations will be measured differently and will not usually be the most important attribute for measuring performance. Usually, the contributions these SOAs make by carrying out their policy or regulatory role will be the focus for assessing performance and will be measured on the basis of measures other than financial performance.

Primary Function

Some SOAs have fairly significant regulatory or policy functions. Others are primarily service providers, either of professional services or of production services. Others may both produce goods or services and contribute to policy or other objectives. These factors can affect the type of attributes that are relevant and the specific indicators that should be used to assess performance. For SOAs with regulatory responsibilities, for example, issues of mandate and impacts are of high priority. Important questions might include whether the SOA's regulatory responsibilities are compatible with its service responsibilities; or what are the impacts of its approach to regulation on industry.

Similarly, for those SOAs with both significant policy objectives and financial goals (such as CORCAN, Passport), it is important to measure not just both aspects of performance, but also the extent to which an optimal balance was maintained with respect to the pursuit of each. CORCAN, for example, operates partly on the basis of cost recovery but also is expected to maintain inmate employment. These goals at times conflict; for example, when product inventories build up it is quite costly for CORCAN to keep inmates employed. It is important to assess how effectively SOAs balance competing objectives of this type.

Organizational Status

The extent to which the SOA occupies a stable place in the federal government regime will also determine the appropriate attributes to be measured. Organizations which are highly stable, whose mandate and mission are widely accepted and which are seen to be the only alternatives to meeting the needs they address will be assessed primarily on the basis of operational effectiveness and service effectiveness, and, in particular, on the quantity and quality of outputs and the productivity with which these were realized.

Other organizations may be viewed as candidates for privatization or devolution or for some other status. For these organizations, measures of more strategic aspects of performance will be important. Decision makers will want to know whether the mandate of such an Agency meets a recognized need, whether its services impact positively on clients, and whether there are more cost-effective alternatives. Organizations of this latter type, which occupy unstable positions, will want to focus on collecting data and other information relevant to answering these kinds of questions.

A variety of other characteristics of SOAs will contribute to determining performance attributes or the specific indicators to be used to measure performance against attributes. These include the importance of the SOA to the departmental mandate; the clientele (internal, external); the legislative framework; and the facility with which impacts can be directly attributed to SOA activities.

Also important to the selection of attributes are the purposes for which the SOA is being reviewed and the review tool which is being employed. It is to this issue that we now turn.

Review Tools and Performance Measures

As noted earlier, each of the three review tools can be differentiated in terms of the stakeholder to whom it provides accountability and the purposes for which each is used. As we noted earlier, different stakeholders have different needs in terms of the evaluative information they require; even the same stakeholder, such as the deputy, may have different information needs depending on the purpose for which the information is to be used.

These variations in information requirements suggest that the three review tools can be differentiated, to some degree, in terms of the attributes of SOA performance on which they should be focused or the perspective they bring to bear on the particular aspect of performance. Such a differentiation would be useful for a number of reasons. First, it would provide SOA management with a clear understanding of the aspects of SOA performance for which it was accountable and against which it should be reporting results. Second, it would provide a basis for determining the information requirements of the three review tools and for coordinating and integrating the collection and analysis of common or complementary information requirements. Third, it would help to ensure that the resources allocated to each review tool could be optimally directed at issues and questions not already dealt with through the other review tools.

Figure 1 on the next page suggests a possible differentiation of these tools in terms of their primary focus. As this figure indicates, there is considerable overlap among the tools with respect to the aspects of performance with which they are primarily concerned. Of the three, management self-assessment addresses virtually all of the performance measures, from operational effectiveness to relevance issues. This reflects the fact that management should have the primary responsibility for monitoring and reporting on performance.

Clearly, however, management reporting will be concerned most frequently with day-to-day success measures, such as financial performance and outputs. Only infrequently will management be required to assess more fundamental issues, such as its ultimate impacts on clients or others, its cost-effectiveness, or its continued relevance to client needs.

As Figure 1 suggests, audit would be focused primarily on operational effectiveness, although it would also address service effectiveness and relevance. The perspective of audit with respect to these issues would be on systems and processes, however, rather than results. Audit would focus on attesting to or verification of the adequacy or fairness of management representations with respect to these issues. and on the adequacy of systems and processes.

Evaluation would emphasize primarily issues of service effectiveness, cost-effectiveness and relevance. Evaluation would not normally place a lot of emphasis on operational issues, except in the context of addressing these other issues (for example, an evaluation might make use of productivity data in a comparative fashion to assess cost-effectiveness). Similarly, an evaluation would have some interest in the quantity of outputs of an SOA but would normally be more focused on the quality of outputs and their impacts on clients and others. These latter indicators are more relevant to the kind of decisions for which evaluations would be conducted.

Figure 1:

SOA REVIEW TOOLS: PERFORMANCE FOCUS
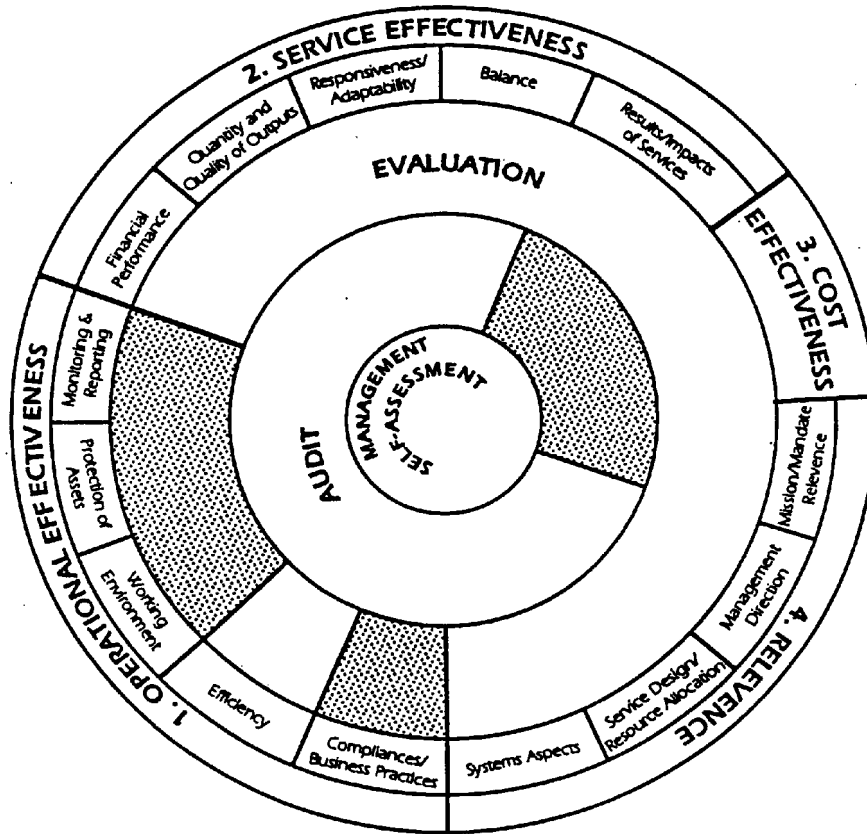
There are several reasons for this suggested focus for these review tools:

1.   It is simply not feasible for management to monitor and report regularly on issues such as cost-effectiveness or the longer-term or indirect impacts, intended or unintended, of its activities. Answering questions as to the impacts of services and cost-effectiveness often requires the use of methodologies and data sources which are quite costly. SOAs simply do not have the resources to collect the required information on an ongoing basis.

2.   The primary responsibility of SOA management is to carry out the mandate given to it by the government, not to question the continued relevance or rationale of that mandate. The mandates of most SOAs are fairly clear, and for most SOAs there is a relatively direct relationship between their outputs and the intended impacts of their activities. Thus, for SOA management, it is appropriate to treat the relation between outputs and intended impacts on clients as working assumptions. It is not necessary for SOA management to revisit these assumptions regularly to meet its accountability responsibilities. These assumptions can and should be reassessed only in the longer term, especially in the context of strategic reviews of the SOA.

3.   The foci of each review tool reflects the latter's role in the government management and decision-making mechanisms. The role of management reporting is primarily to provide the deputy and others with a basis for concluding that the SOA is meeting its objectives and, in doing so, is adhering to business and management practices that are appropriate. The role of audit is primarily to attest to these management representations and to identify shortcomings or problems in the management or operations of the SOA. Evaluation is a tool that can be used to identify and correct problems which are reducing the effectiveness of the SOA (formative evaluation); or to answer questions relevant to strategic decisions about the future of the SOA (summative evaluation).

Despite these differences in primary emphasis, there can be (and often is) a good deal of overlap of these review tools in terms of the performance attributes they are concerned with, the decisions to which they contribute, and the data and other information of which they make use. The role of audit and evaluation, for example, is currently evolving in the federal government and many departments are combining these functions in common units, as well as carrying out "reviews" which incorporate both audit and evaluation components. Audits can and do address the whole gamut of performance – from efficiency and compliance, to relevance. SOA managers can be asked to research and report on fundamental questions, such as their contribution to clients' needs or to the government agenda, or their cost-effectiveness. Evaluations often address issues of efficiency and productivity. Thus, the distinctions made

above should not be viewed as set in stone but rather as a guideline to assist SOA managers and their host department to clarify responsibilities for performance review and reporting.

One approach to the task of defining these responsibilities is to develop a performance framework for the SOA. A performance framework, as defined by the 1994 Treasury Board policy on Performance Review, could comprise one component of an overall management control and accountability framework or could be a stand-alone document. These frameworks could be extremely useful for SOA management and for stakeholders in that they would clearly identify the targeted results and other indicators against which the SOA would be measured; they would specify the responsibilities of program managers and others for collecting information on and reporting against these indicators.

The next section describes the elements of such a framework and discusses the benefits of preparing one. It also provides the skeleton of a sample framework, a skeleton which outlines the kind of performance indicators that might be used to assess various attributes of an SOA from the perspectives of SOA managers, auditors, and evaluators respectively.

An SOA Performance Framework

Nature and Benefits of a Performance Framework

A performance framework is a document which specifies:

(i)   the aspects of performance against which SOA management should monitor and report results;

(ii)   the aspects of performance likely to be addressed through audit or evaluation;

(iii)   data requirements and potential data sources for reviewing performance;

(iv)   the nature and frequency of reporting of SOA management (such as the annual report).

There are several advantages to be gained from preparing such a framework. These advantages accrue to SOA managers, to auditors and evaluators, and to stakeholders. The advantages include:

(i)   SOA management and the stakeholders to which it is accountable have a clear mutual understanding of the aspects of performance on which SOA management will report; the specific indicators on which performance will be reported; and the nature and sources of information on which reporting will be based;

(ii)   the information needs of management audit and evaluation can be anticipated to some degree, and the degree of commonality or overlap with those of SOA management can be established; SOA management can then plan its information collection and analysis systems to accommodate both its own reporting responsibilities and those of the other review functions;

(iii)   the expertise of evaluators and auditors can be tapped to assist management in developing relevant and useful performance indicators which are cost-effective; and

(iv)   aspects of performance best left to a future audit or evaluation can be identified and SOA management can allocate resources to monitoring and reporting on aspects which are its highest priority.

In addition to the above advantages, the exercise of developing a performance framework provides an opportunity for SOA management to revisit and reaffirm its mandate, to establish a clear link between its activities and its mandate; to modify or expand its lines of service to better align its activities with its perceived mission; to affirm the values, standards and policies to which it is committed; and to clarify its accountability relationships. All of these would contribute to a more effective organization.

The next section of this paper illustrates some of the indicators that might be adopted for a typical SOA and how review and reporting responsibilities might be assigned to SOA management and to evaluation, respectively.

Sample Framework

The framework represented in Table 2 provides, in outline fashion, a breakdown of the some of the indicators that could be used to review the performance of a typical SOA. The example is based on a hypothetical organization which provides consulting services to government on an optional, fee-for-service basis.

The framework is not complete in that it does not identify data requirements and sources for the exercise of the review function, nor does it indicate the frequency or timing of reporting or the nature of the reporting media (for example, annual report, evaluation report).

Table 2

SAMPLE PERFORMANCE FRAMEWORK FOR SOA

Attributes	Indicators		
	Management Self-Assessment	*Audit*	*Evaluation*
1.Operational Effectiveness *Compliance/Business Practices*	*Existence of Systems/Controls/Policies/Practices*	*Existence of Systems/Controls /Policies/Practices Compliance of Sampled Transactions*	*N/A*
Efficiency	*Ratio of Revenue to Costs Net Revenue/Consultant or Employee*	*Reliability of Data/Information Systems*	*Relevance/Validity of Indicators*
Working Environment	*Policies/Practices/Guidelines: Equity/Harassment/Training/etc.*	*Adequacy/Comprehensiveness of Policies Consistency of Practices with Policies*	*N/A*
Protection of Assets	*Key Assets Identified/Protected*	*Adequacy of Measures/Comprehensiveness*	*N/A*
Monitoring and Reporting	*Reporting Requirements Identified*	*Systems/Processes in Place Reporting Requirements Identified*	*N/A*

Attributes	Indicators		
	Management Self-Assessment	Audit	Evaluation
2. _Service Effectiveness_ Financial Performance	Results against Targets (e.g. Profit) Factors Affecting Financial Performance	Consistency of Summary Data Supporting Documentation/Data	Results Compared to Targets Factors Affecting Results
Responsiveness/Adaptability	New/Modified Service/Product Lines New Technologies/Products, etc.	Systems/Processes for Environmental /Technology Scans	Timeliness/Results of Adaptations
Quantity of Outputs	Volume of Sales/Assignments (Total/% Change)	Reliability/Validity of Data	Reliability/Validity of Data
Quality of Outputs	Quality Management Systems Client Satisfaction Repeat Assignments	Documentation of Quality Management, Practices Reliability/Validity of Data	Client Perceptions (Surveys, etc.) Reliability/Validity of SOA Data Repeat Assignments
Balance	Balance between Financial/Service Goals Rationale for Balance	Rationale/Appropriateness of Balance	Rationale/Appropriateness of Balance
Results/Impacts of Service	Specific Benefits to Clients: Improved Operations/Lower Costs/ Better Service General Benefits to Government	N/A	Specific Benefits to Clients: General Benefits to Government (Improved Public Sector Management)
3. _Cost-Effectiveness_	CAC Consultant Rates vs Private Sector Rates Client Views: Costs/Value of Work Compared to Private Sector Firms		CAC Consultant Rates vs Private Sector Rates Client Views: Costs/Value of Work Compared to Private Sector Firms

Attributes	Indicators		
	Management Self-Assessment	*Audit*	*Evaluation*
4. Relevance *Mission/Mandate Relevance*	Continued Demand for Services Enabling Mandate Still Operative	N/A	Policy Basis for CAC Needs Not Met by Private Sector Added Value of Public Sector Orientation
Management Direction/Communication	Strategic Objectives/Service Lines /Organizational Structure /Communication to Employees/Stakeholders	Systems/Processes/Practices in Place	Strategic Objective/Service Lines /Organizational structure Linked Communication of Same to Employees/Stakeholder
Service Design/Resource Allocation	Design of Service Based on Market Research/Client Needs Resource Allocation to Services/Assets Linked to Market potential/ Return on Investment	Systems/Processes in Place and Support Design/Allocation Decisions	Results of Design/Allocation Bear Out Rationale
Systems Aspects	Adequacy of Authorities/Flexibilities Assessed Organizational Challenges /Constraints Identified	Adequacy of Authorities vis-a-vis Mandate	Nature/Necessity of Authorities/Flexibilities Contribution to Success/ Nature/Mode of Contribution (e.g. Improved Employee Performance) Current Barriers to Success Appropriateness of Management /Accountability Structure (e.g. Role/Make-up of Advisory Board)

The indicators identified in Table 2 are typical of the kind that might be developed for an SOA which operates as an optional service delivery agency. A different set of indicators may be required for SOAs which have a policy or regulatory component, particularly with respect to service effectiveness and relevance.

The table indicates a wide range of indicators for management self-assessment. In actual practice it would be desirable to limit the aspects of performance SOA management would report against on a regular basis to those most relevant to the needs of the deputy and central agencies. In most cases, SOA managers would likely emphasize financial performance and output measures. They must also be concerned with operational issues, however, and with some aspects of relevance. For example, they should be able to demonstrate, in their annual reports or other formal reporting media, a clear linkage between their strategic objectives and their particular service or product lines.

Audit and evaluation have narrower ranges of interest than management self-assessment. Audit is primarily concerned with systems and processes and the extent to which these contribute to operational effectiveness. Evaluation is directed at providing answers to fundamental questions about the effectiveness of the SOA as a means of meeting a specific need or set of needs of the federal government. Both have their role to play as part of the review structure for an SOA.

The performance framework outlined above is incomplete in many respects. For one thing, certain of the indicators need a good deal of development. It would be necessary, for example, to specify the specific areas of compliance that would be assessed and to differentiate more clearly the roles of self-assessment and audit in reporting on each aspect of performance.

It would also be necessary to specify the frequency of and the media for SOA reporting on effectiveness – for example, whether the annual report would be the main reporting medium or whether other forms of reporting would be required.

Nevertheless, the example gives an indication of an approach that might be adopted to clarify the review and reporting responsibilities of management and the other review functions, and to coordinate the efforts of these groups.

III Conclusion

SOAs are at the forefront of the move to a more results-oriented public service. This move is more in the nature of an evolution than a revolution. Nevertheless, SOAs have acquired a degree of autonomy, formal and informal, somewhat greater than most federal government programs. This autonomy entails the need for an appropriate accountability structure, however, so that stakeholders can be satisfied that the SOA is compliant with the government statutes and policies which constrain its operations, and that the SOA is achieving the results for which it was intended.

Accountability, in turn, entails the need for a review function. It has been suggested in this paper, in line with current Treasury Board thinking, that all forms of assessment, including management self-assessment, audit and evaluation be considered elements of a review function for SOAs. Although the focus of these tools overlaps extensively, the different roles of these review tools can be distinguished, to a degree, in terms of the range of stakeholders whose concerns they address, the decision-making purposes for which they are used, and their perspectives on measuring aspects of performance.

Management self-assessment should be the primary source of monitoring and reporting on SOA performance. Internal audit should be concerned primarily with assessing the adequacy of the systems and processes which are the basis for management representations thus providing an attestation role in regard to these representations, particularly on issues of operational effectiveness. Program evaluation should be focused on answering fundamental questions about the continued relevance of SOAs and their services, their cost-effectiveness, and their impacts on clients and others.

One means of clarifying the focus of these review tools for individual SOAs is to develop a comprehensive performance framework. There are a number of benefits to this exercise both to SOA management and to stakeholders. Elaboration of a performance framework would provide an opportunity for SOA management and the host department to agree on an appropriate basis for management reporting. It would provide an indication of some of the issues that might be addressed in a future audit or evaluation of the SOA. It would also allow SOA management and audit and evaluation staff to work together to:

(i)   develop meaningful performance indicators for the SOA;

(ii)   define common information requirements; and

(iii)   plan systems to collect and analyze information which can contribute to the needs of all three review tools.

Development of such performance frameworks would place SOAs at the forefront of performance measurement in government.

Notes

1.   David Roth, "Innovation In Government: The Case of Special Operating Agencies," *Optimum*, vol. 21-3 (September 1990).

2.   Jim Armstrong, "Special Operating Agencies: Evolution or Revolution?" *Optimum*, vol. 22-1, 1991.

3.   J. David Wright, *Special Operating Agencies: Autonomy, Accountability and Performance Measurement* (Ottawa: Canadian Centre for Management Development, 1995).

4.   *"Performance Review Policy Package,"* Consultation Draft (Treasury Board of Canada: March 1994).

5.   The focus of the Treasury Board policy is internal audit but there is no reason not to view external audits by the Auditor General or private sector firms as part of a review function. We will be concerned in this paper, nonetheless, primarily with internal audit.

6.   *Report of The Auditor General of Canada to the House of Commons*, 1993.

7.   Dev K. Gandhi and Tom Koplyay, "Crown Corporations in a Strategic Planning Framework: Measuring and Reporting Performance," *Optimum*, vol. 22-4, 1991.

8.   *Effectiveness Reporting and Auditing in the Public Sector: Summary Report* (Canadian Comprehensive Auditing Foundation, 1987).

9.   Auditor General, op. cit., 1993.

10.   Ibid.

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