

**New Public Management in the public sector in Canada: The contribution,  
adoption and involvement of Internal Audit**

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## Abstract

In today's world, many governments are interested in modernizing their public service, leading them to introduce new techniques and tools of management inspired by the private sector. This new field is called the New Public Management. The quality and the efficiency of public services constitutes a priority for the government. Like many other functions within public sector, New Public Management had also a profound impact on the scale and scope of internal audit function. This study aims to investigate the contribution, adoption and the involvement of internal audit in improving the management of public sector in Canada.

The result shows that internal auditing contributes by adding value to federal departments in two main ways: (i) it provides comfort and reassurance to the senior management and the audit committees (ii) it promotes organizational learning on how to improve management controls, governance processes and risk management and advisory services beneficial to executives involved in operations. In addition, the internal audit function is well situated within departments to help them become more innovative. From internal document reviews, it was found that the internal audit function is well positioned within the department's body and complies completely with the standards of Institute of Internal Auditors (IIA) and the Treasury Board Internal Audit policy. This paper also analyzes how the involvement of internal audit as a tool of accountability changes with the change in Government in Canada. The result shows that there is a negative association between a Liberal Party government and the number of internal audit reports, i.e. as we move from Conservative party government to Liberal party government, the federal departments conduct less internal audits.

**Keywords:** New Public Management, internal audit, governance, risk management, performance measurement, government of Canada, federal departments

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## Introduction

Over the last four decades, governments and all the government bodies in “developed” countries<sup>1</sup>, have come under increasing pressure to improve performance in the public sector and enhance its transparency to the public. The quest for efficiency, efficacy, responsiveness, flexibility and accountability of government is a dominant one. In light of this change in public policy discourse, a new concept has developed and widely discussed called *New Public Management* (NPM). It is difficult to define NPM, but there are four ideas that are common in discussion of NPM: efficiency, management, accountability and organizational culture (Pollitt and Bouckaert 2000; Try and Radnor 2007:656).

One of the prime focuses in the discussion of New Public Management is upon the stressing service effectiveness and outcomes, that rely upon the interaction of Public Service Organizations with their environment (Osborne 2006; Pollitt and Bouckaert 2000). It indicates within national government environment, there is an increasing focus on government performance and its service effectiveness. Government performance is dependent on the availability of the necessary resources, which includes adequate funding that are primarily obtained mainly from the taxpayers of the country (Hoffman and Howard 2017). Consequently, governments are required to answer to the public on the use of these funds (Chowdhury and Shil 2017). Le Roux et al (2007) indicate that the government cannot convince the public that they have applied the resources made available to them in an appropriate manner, for the intended purposes and through proper processes, may lose the trust of their people. A loss of trust may result in the loss of votes at election time and a loss of belief in government systems (Le Roux et al 2007). Therefore, financial control and risk

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<sup>1</sup> A developed country has a mature and sophisticated economy (measured by GDP and/or average income per resident), technological infrastructure and have diverse industrial and service sectors. Their citizens typically enjoy access to quality services that are offered by the government of the country.

management are central to managing any organization effectively. To the extent that they are done well, they can contribute to an organization's ability to safeguard its assets, use its resources economically and efficiently, and produce accurate and reliable financial information. Reliable information is key to developing a complete and accurate picture of government performance (Auditor General of Canada 2011).

In order to promote the overall effectiveness and efficiency of operations and the transparency of decision making, a government has two major tools, which are *internal audit* and *evaluation*. Internal audit provides public and government with assurance as to the design and operation of the governance, risk management, and control processes in their organizations. This assurance function is an important part of the government's efforts to provide value and accountability to Canadians for their tax dollars (Treasury Board of Canada 2006). While, evaluation is a careful retrospective assessment of the merit, worth, and value of administration, output and outcome of government interventions (Vedung 1997). Two main purposes of conducting evaluation are to increase knowledge about a program and to improve delivery to citizens. In this major research paper, the focus will be on the internal audit.

This dynamic leads to the following questions I will address in this paper:

- i. What values do the internal audit functions bring to the public organization in Canada?
- ii. To what extent does the Federal Department's Internal Audit function meet the practice of internal auditing issued by Institute of Internal Auditors (IIA) standards and also complies with Treasury Board policy on Internal Audit?
- iii. How does the use of internal auditing as a tool of administrative oversight change with the change of government of Canada?

The objective of this study is to examine contribution, adoption and involvement of internal auditing in improving the management of the public sector in Canada.

To conduct this research, I will use agency theory, as both New Public Management and internal audit are grounded in this theory. The agency theory emerges from the principal-agent relationship (Watts and Zimmerman 1986). This theory has the explanatory power to become a widely applied and accepted theoretical framework in the research of NPM and internal audit.

The paper proceeds as follows. The following section provides an overview of NPM and the role of the internal audit in the public sector. This is followed by an explanation of the theoretical framework that is used for the research. Section-II of the paper describes the methodology and strategy of the paper. Section III presents the findings of the three questions.

## Literature Review

### **Explanation of New Public Management**

The integration of private sector management techniques into the public sector, as opposed to the previous public administration approach, was largely driven by a seminal article “A public management for all seasons?” written by Christopher Hood (Hood 1991). He first introduced New Public Management (NPM) in 1991, a notion which has now received widespread recognition and usage (Pollitt 2016). In developed countries, New Public Management was a key force in bringing change in public sector government, incorporating private sector techniques into public sector, including a stronger focus on programme outcomes or result (Pollitt 2016). Pollitt explains that better management and compliance with management principles result an organization to achieve the result and become a successful organization (Pollitt 2016). NPM is about managing an organisation so that it achieves a planned level of performance through rational decision-making

(Bowrey et al 2017), in other words, managing for performance, as opposed to simply managing for existence (Pollitt 2016).

The USA Office of Personnel Management argues, that NPM is about transforming goals into results, focusing on the performance of individuals and teams and also focusing on programmes, processes and indeed, the organisation as a whole (US Office of Personal Management 2018). Implementing a system of NPM also means that actual performance achieved must be audited regularly to determine whether planned performance was achieved as intended. The criteria of quality, quantity, timeliness and cost are generally accepted as being suitable to measure organisational performance (Pollitt 2016; Chowdhury and Shil 2017). There are, however, divergent views on success of NPM. Field (2015) believes that the public sector has confused performance appraisal with performance management and that NPM ignores values such as transparency, collegiality and flexibility to which professionals ascribe. The argument of Field (2015) may be contested. NPM, by its own nature, is designed to improve transparency as (i) the organisation is required to plan, manage and account for performance to its stakeholders and (ii) all employees within the organisation are required to account for their planned performance. With regard to collegiality, it is submitted that organisational performance is primarily about achieving the mandate and planned performance of an organisation rather than promoting collegiality. It is further submitted that collegiality may lead to supporting inefficiency, bad decision-making and poor-service delivery.

Whilst there has not been common agreement on the effectiveness of NPM in improving government performance, Pollitt (2016) argues that NPM continues to be relevant in the public sector. This argument is strengthened by the fact that the Canadian public sector continues to

implement elements of NPM in central agencies<sup>2</sup> (Treasury Board Secretariat 2003). Furthermore, an assessment on the success or otherwise of NPM in Canada has not yet, according to available literature, been conducted. Therefore, it cannot be decisively concluded that NPM has failed or is no longer relevant. Further studies are necessary to evaluate the success or otherwise of NPM both in Canada and internationally.

Mackie (2008) argues that NPM has a dual purpose: firstly, it ensures that internal controls exist to manage and monitor effective achievement of planned organisational performance and secondly it communicates performance to relevant stakeholders such as shareholders, legislatures and creditors. In the public sector in Scotland, communication and reporting of organisational performance to stakeholders such as parliament is required by law (Mackie 2008). Similarly, in Canada, it is mandatory for the public sector to conduct both organizational and employee performance assessments on a regular basis and to report organizational performance achieved (Treasury Board Secretariat 2019).

### **Main Characteristics of New Public Management**

Hood (1991) describes the characteristics of NPM into the following seven dimensions:

1. Unbundling of the public sector into functional departments organised by product or service. This should make each unit more manageable;
2. More contract-based competitive provision, with internal markets and term contracts. Competition here is seen as key to lowering costs and improving standards, while the contracts can serve to clearly set performance measures;
3. Stress on private-sector style of management practice;

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<sup>2</sup> Within public sector, the term “Central Agency” refers to those departments with internal management responsibilities for government

4. Introduction of discipline and parsimony in resource use, by stressing the need to find less costly ways to deliver public services.

With the use of these first four dimensions, public sectors are called upon to reduce the differences between themselves and the private sector as far as internal organisation and accountability methods are concerned.

Dimensions 5 to 7, on the other hand, are about “the issue of how far managerial and professional discretion should be fenced in by explicit standards and rules” (Hood 1991):

5. The need for more visible “hands-on” top management, so to increase the discretionary power of those who can actively control public bodies;
6. Setting of explicit and measurable (or at least checkable) standards of performance, which tend to replace the traditional confidence in professional standards and expertise;
7. Higher relevance of output measures and output control, especially in the sense of linking pay to job performance.

All these characteristics of NPM, requires the development of specific performance measures that enable performance measurement and evaluation. Such measures are developed by government departments based on their objectives in their strategies and planning (Chowdhury and Shil 2017). In order to establish progress towards the accomplishment of its planned objectives, performance measures and indicators are developed to enable the national department to measure its actual performance against planned performance, at least on a quarterly basis. Measuring actual performance against planned performance is a managerial concept within the framework of NPM (Chowdhury and Shil 2017). However, in pursuing objectives, departments face situations known as risk. Risks may hinder government departments or any organizations from attaining its planned objectives (Krstić and Dordević 2012). These risks need to be identified

and managed. Risk management is a strategic management tool that enables leaders and managers to address identified risks in order to increase the probability of achieving objectives (Johnsen 2015). Thus, the implementation of a risk management strategy increases the public department's probability of effectively accomplishing planned performance (Krstić and Dordević 2012).

### **Development of NPM in Canada's public sector and the challenges**

Canada has intermittently experimented with NPM concepts since the early 1980s, during the Liberal tenure of Pierre-Elliot Trudeau (Try and Radnor 2007), but it took much of 1990s to achieve wide acceptance of NPM within the public sector. The central agencies in Canada adopted elements of NPM with the formalization of the Treasury Board's results-based agenda and through implementing the Management Accountability Framework (Treasury Board Secretariat 2000) and the Federal Accountability Act (Treasury Board Secretariat 2006).

However, the introduction of NPM in the public sector has not been without challenges. These include the development of multiple objectives and then assigning resources to try and accomplish these multiple objectives (Demmke 2006). According to Demmke (2006), it becomes challenging for public sector institutions to develop performance standards because of too many objectives. In addition, multiple objectives mean that efforts are spread too thinly, to the detriment of priority objectives. The author also cautions that multiple objectives can lead to difficulties in centralising performance information reporting, resulting in the reporting of inaccurate and incomplete information. As a result, it raises a need of assurance that needs to be obtained from an independent body, confirming the performance information is reliable. This is where the government tools, such as internal audit, comes into play.

## **Internal Audit function**

Internal Auditing is one of the mechanisms available to a government department that may be used to assess and provide assurance on effectiveness and the veracity of the performance report submitted to executive management. Internal auditing assesses and provides assurance that managements plans and policies were being implemented as intended so that planned objectives are achieved (IIA 2017; Power 2004).

Historically, internal auditing was perceived as being confined to merely ensuring the accounting and underlying records of an organization's transactions were properly maintained. Assets management system was in place in order to safeguard the assets in addition to determine whether policies and procedures were in place (Power 2004). With changing times, the concept of internal auditing has undergone significant changes with regard to its definition, scope of coverage and approach. The modern view of internal auditing is reflected in the definition that was adopted by the Institute of Internal Auditors (IIA 2017):

*“An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.*

Therefore, the definition of internal auditing identifies the governance, risk management and control processes of the organisation as the focus areas of internal auditing. According to Gay and Simnett (2007), internal audit function is now seen as an assurance and consulting service which promotes the understanding of risk exposures and control strategies. With the global financial crisis being felt in all countries beginning at the end of 2007, people suffered financially and fraud surged (Power 2012). According to Jacobs (2012:56), the public sector needs to develop

robust control systems and ‘think accounting’. The internal audit function acts as the watchdog of these systems.

Barrett (2002a and 2002b) posited that reforms in the public sector have led to a greater focus on corporate governance. PwC (2011) published a report claiming governance did matter and internal audit, really do work. Hence, it is not surprising that in government a robust internal audit function is seen as a necessary requirement for an improved governance framework. According to the IIA (2009) with numerous funds received by government’s departments, the internal audit function plays a major role in advising on the right processes to ensure construction tenders, procurement, project management and costings are all conducted properly. This, in turn, should stop things ‘falling over through mismanagement or misconduct’ (IIA 2009:2).

Previously, we have seen that government has been criticized about the failure of its governance, especially when corruption and fraud scandals make it into the press. Corruption within government authorities, like the sponsorship program scandal<sup>3</sup> is not only limited to Canada. In the UK, many cases have been documented, including the ‘infamous’ case of the sixties of the architect John Poulson and the Newcastle council leader T. Dan Smith (The Journal 2004). In the US, there are multiple scandals listed on the Inland Revenue Service (IRS) site. Whatever the sector, the internal audit function needs to provide an independent position from which to manage risk within an organisation (Piltcher 2014).

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<sup>3</sup> The sponsorship scandal is a scandal that came as a result of a Canadian federal government "sponsorship program" in the province of Quebec and involving the Liberal Party of Canada, which was in power from 1993 to 2006. The program was originally established as an effort to raise awareness of the Government of Canada's contributions to Quebec industries and other activities in order to counter the actions of the Parti Québécois government of the province that worked to promote Quebec independence. The program ran from 1996 until 2004, when broad corruption was discovered in its operations and the program was discontinued. Illicit and even illegal activities within the administration of the program were revealed, involving misuse and misdirection of public funds intended for government advertising in Quebec.

## **NPM and internal audit**

This literature review explored the concept of NPM and its applicability to the public sector. The key characteristics of NPM were discussed. Several scholarly articles indicated that an effective management structure is necessary to monitor the implementation of strategies and to monitor and evaluate organisational performance. This is where the internal audit comes into action and plays a vital role within an organization. From the literatures reviewed, it can be concluded that internal auditing renders both assurance and consulting services to an organisation. It also focuses on the organisation's governance, risk management and control processes. The literature review confirmed that internal auditing is used as a mechanism to contribute to improved departmental performance and to enhance service delivery. No arguments emerged from the literature review that disagreed with the role of internal auditing and its contribution to NPM. Consequently, the arguments presented reflect the generally accepted practice of internal auditing and its role in NPM.

## **Theoretical Framework**

Research in auditing has traditionally been conducted under the framework of agency theory (Watts and Zimmerman 1986). There are very limited literatures on a theoretical framework for auditing in the public sector. Most of the literatures rely on agency theory and research pertaining to the private sector. Since the internal audit function is, to a considerable degree, a monitoring mechanism, agency theory is considered here to be appropriate.

The agency theory focuses on the concept of accountability. Ștefănescu et al. (2016) puts forward the idea in their research that the growing complexity of government authorities, their multiple objectives and numerous stakeholders have made it difficult to identify who is accountable for what. Accountability is particularly important, but can also be a source of

confusion in organisations that receive funding from one source, their mandate from another, and ‘customers’ from yet another segment of society (Van Peursesem 1999).

The majority of the literature relates to the private sector, Ștefănescu et al. (2016) considered that the principal-agent model and accountability are still held in the public sector. One difficulty in applying agency theory to the public sector is to consider the identity of the principal and agent. Piltcher (2014:215) mentioned that “public sector accountability is not a simple one-to-one relationship between a principal and agent”. Instead it is the relationship between a number of different groups, whose economic and political interests overlap. Baber (1983) argued that, in the public sector, elected officials (the agents) and their supporting interest groups (principals) contract to share returns that accrue from the public service. In seeking to identify the direct principals and agents, the research of Singleton et al. (2003:195), the authors identify that members of the government (ministers or the cabinet) will be punished by perceived inefficiencies in the public sector. As such, a direct principal-agent relationship can be said to exist between the elected and the public sector, which is charged with the implementation of the government’s policy. Piltcher (2014: 215) reinforces this proposition by stating in his paper ‘there is a fundamental requirement in a democratic system for accountability from the administration to the political leadership’.

In the Canadian context, there are a series of principal–agent relationships (e.g., parliament–government, government–deputy ministers, deputy ministers–civil service, voters–government) that need to be structured in a way that produces the best outcome, usually defined in terms of benefit to the public (Atkinson and Fulton 2013). In federal departments, the management of a department is delegated to a deputy minister, who is responsible to the minister; the minister in turn is responsible to parliament. In agency theory, this chain of principal–agent relationship is weakened when agents have responsibilities to multiple principals and can use these

responsibilities to create room for independent action (Bosse and Phillip 2016). The tendency for agents to pursue their own agendas—are clearly one of the agency problems that are found in several literatures. For instance, the notion that the goals of deputy ministers must always match those of their ministers ignores the professional responsibilities of the former, including the responsibility of permanent public servants to provide non-partisan advice. It is more likely that these same advisors will inevitably conspire to make it difficult for parliament to obtain accurate information on the programs and spending of the government (Bosse and Phillip 2016; Atkinson and Fulton, 2013). Bosse and Phillips (2016) in their paper “Agency theory and Bounded Self-Interest” suggest that one of the measures to address agency problems is the implementation of monitoring and control mechanisms that keep a control on the activities of agents. These control mechanisms aim to promote efficiency in the performance of agents. Internal audit is one of the tools that are being used to keep the control on the activities of agents. Internal audit is referred to as a bonding cost and is conducted by agents to reassure the principals they are acting responsibly with community and other funds (Sherer and Kent 1983).

In this paper, agency theory is used to consider how seriously federal departments (government) take their monitoring duties via the implementation of an internal audit function. In this case the principals are assumed to be the public (voters) who are responsible for electing government and to funding government through paying taxes. By having an internal audit function, the government obtain unbiased and accurate information on the use and results of spending public money, which enhances the legitimacy and effectiveness of public authorities.

## Methodology and Data Source

The study is set out to explore the adoption, contribution and involvement of internal auditing by federal departments as a mechanism to improve the management in the public sector. There are three research questions and each question has been answered with a distinct approach. For the first question, I conducted a review of articles from various sources, such as academic publications, documents and reports from government or international organizations, reputable online journals and resources, as well as professional sources from private enterprises. To identify sources, key terms were queried in academic journal repositories such as Google Scholar, EBSCO, Scholars Portal, and university library search engines. The methodological justification for using these sources was to capture the varying opinions on the value that internal auditing brings to the public sector.

The second question aims to assess to what extent the internal audit activity meets the requirements of the Institute of Internal Auditors (IIA) Standards, which the Treasury Board has adopted in its Policy. I examined key attributes of an effective internal audit activity in a random sample of two of the 24 largest federal departments. I decided to assess the following two departments: Employment and Social Development Canada and Canadian Heritage. The reason I chose these two departments is because these two departments are the largest and have the most varied portfolios in the Government of Canada. For this section, I conducted a review of the internal document and files of these two departments. This review consisted of examining the following documents:

- The Policy and its guidelines;
- Previous policies, evaluations and reviews of the current and previous policies;
- Published Internal audit reports; and

- Studies conducted by the OCG and other federal government organizations

The third question aims to estimate the relationship between the Government (Liberal Party vs Conservative Party) and the use of Internal Audit. By this question, I explore the extent to which the Liberal Party government uses Internal Audit as a tool of administrative oversight while they are in government and compare it to the Conservative Party government. For the purpose of my analysis, I consider the total duration of years that the Liberal Party has been in power (i.e. 2004-2005 and 2015-2018) and the Conservative Party government for the period 2006-2015.

I use multivariate analysis technique in order to identify the strength of the effect that the independent variables (government and other factors) have on a dependent variable (number of internal audits published).

$$IA = \beta_0 + \beta_1 \times G + \text{other factors} + u \text{ [where, } i = \text{no. of federal dept, } t = \text{year, } u = \text{error term]}$$

Key variables in the dataset:

- IA: Number of Internal audits published
- G: Government (Liberal Party and Conservative Party)

The main challenge for estimating the causal effect of government on the conduct of internal audit in federal department is the issue of confounders. Confounding variables or confounders are often defined as the variables correlate (positively or negatively) with both the dependent variable and the independent variable<sup>4</sup>. A confounder is an extraneous variable whose presence affects the variables being studied, so that the results do not reflect the actual relationship

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<sup>4</sup> Elwood JM, editor. Causal Relationships in Medicine. Oxford: Oxford University Press; 1988. p. 332. [[Google Scholar](#)]

between the variables under study. For my research, I expect two confounding variables, which are budget balance as percentage of GDP and the people's trust in government institutions.

Before presenting how I handled the effect of confounders in my research, I will briefly explain my reasons for considering these two variables as confounders for my model. In the mid-1990s, different poll results showed that the budget deficit in Canada became the greatest concern to Canadians, even surpassing health care – the perennial top-ranked issue (Hill et al. 2019). In reaction to public opinion, the federal government embraced deficit fighting and made it their priority. In other words, public opinion was a critical element for fiscal prudence. It indicates that budgetary balance affects Government (the key independent variable) for this study. Similarly, budget deficit pushes the federal departments to use money wisely and ensure value for money for the programs. This requires the federal departments to conduct more internal audits in order to know how funds are spent, recorded and controlled. Thus, the budgetary deficit also affects Internal Audit. Similarly, the variable, trust of people in government institutions also affects both the dependent and independent variables. If the trust of people in government diminishes, the government loses its confidence both to its people and also in Parliament, which would cause the ultimate change in the government. Likewise, internal audit provides public assurance. In order to increase the trust of people in governmental institutions, federal departments carry out more internal audits.

I run the multiple regression by controlling the confounders in my models that will capture the effect of confounders on both dependent and independent variables and my result will attribute the effect of the Liberal party government (independent variable) on the number of internal audits published by each federal department per year.

Besides exploring the relationship between the Liberal Party and the internal audits conducted and compare with that of the Conservative Party, this paper also explores the relationship of the recent government with internal audit. Therefore, I carry out the same methodology and focus uniquely on the Trudeau government during his first tenure (i.e. 2015-2018) and compare the result with that of the last tenure of the Harper government (i.e. 2010-2014). This provides insight into the relationship between government and its internal audit function in the recent times, i.e. from 2010 and beyond.

### **Data source for quantitative analysis**

The third question is answered using data from several sources. The collection of data for the number of internal audits conducted by the federal department was the most challenging and diligent task for this project. The Government of Canada maintains no database for the number of internal audits conducted in the federal departments. In order to measure the number of audits each federal department conducts per year; I use the number of internal audit reports published per year by each federal department. One of the problems of using the number of internal audit reports published as the proxy variable for the number of audits conducted is that it may not represent the exact number and thus risk of having higher percentage of discrepancies. In order to publish a report, the federal department has to undergo a lengthy procedure as per the guidance of the Treasury Board of Canada (Government of Canada 2018). Therefore, all the audits conducted by the department in a year may not get published in that particular year, as some of the reports may remain under process of getting published in the next year. However, this is the only medium available to have an idea about the number of audits conducted in the federal department in Canada.

The official website of the Treasury Board of Canada has a section called “Audit and Evaluation reports” which contains the list of 71 federal government departments and for each department there is a list of all the Internal Audits and Evaluations published over the period 2004 to 2018. This list is available in an html format.<sup>5</sup> In order to count the number of audit reports published and to reduce errors in counting, I copied the list of Audit and Evaluation titles for each department from the webpage and pasted in an Excel sheet, then I used the “Filter” option to remove all the Evaluations reports from the list and counted the number of audit reports published by each department using the counting operation in Excel. This database was created while I worked as Research Assistant with Professor Catherine Liston-Heyes during Summer 2019 for her SSHRC approved project on federal audit reports (project title: The Role of Internal Audit Reports in Public Sector Risk Management).

One of the key independent variables is the Government. I have used the official website of the Prime Minister of Canada (pm.gc.ca) to note the name of the Prime Ministers for the period 2004 to 2018 and created a separate variable called Government Party in the Excel sheet stating the political party that the Prime Minister represented. Other independent variable that is used in this study is budget balance (% of GDP). I used the Annual Financial Report of the Government of Canada to collect the data for the variable. This is an annual report published by the Department of Finance, therefore I consulted the report from 2004 to 2018. For the purpose of the study, I used budget balance as percentage of GDP instead of nominal dollar amount.

Trust of people in government institution is another independent variable that I have used for my model. This information was collected from the Edelman Trust Barometer annual survey.

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<sup>5</sup> <https://www.canada.ca/en/treasury-board-secretariat/corporate/audit-evaluation-reports.html>, Accessed on September 15, 2019. The Government has redesigned the webpage recently in a new format.

This survey asks Canadians the question: “How much you trust the government institutions in Canada?” The answer is recorded on a scale from 1-9, where 9 represents the maximum level of trust and 1 is the minimum level. Then the survey report presents the finding in percentage of Canadians who responded to have maximum level of trust. According to the Trust Barometer Survey result of 2018, 46% of Canadians expressed to have greater deal of trust in government institutions. I tabulated this percentage in my table as the value of trust.

Next, I have compiled all the data into one single table and created the database in an Excel sheet. I have used the statistical software R for the data analysis. The technique I used to collect the data and the way I created the data table are prone to human errors.

## Value of internal audit function to the public sector organizations

The analysis begins with an overview of the internal audit functions in the federal departments. It is then followed by the discussion on the values that are brought by internal audit function in the public sector.

### **Internal Audit Function (IAF) in organization and the challenges**

The Institute of Internal Auditors (IIA 2017) defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations”. Therefore, the provision of value-added service and assurance is considered the key purpose of the profession. The traditional view of internal audit is that it offers an impartial and professional assessment of the organization’s management controls, governance process and risk management in order to reassure the principals that they have sound information to use in making decisions and rendering accounts for the organization’s performance (Sarens et al. 2009; Abela and Mitchell 2014; Juillet 2016:15). In order to deliver this kind of “comfort” to the organization,

it requires high technical skills of internal audit function strict adherence to IIA standards and independence from the organization (Roussy 2013; Juillet 2016). This is ensured by an organization by hiring high-skilled *Certified Internal Auditors*<sup>6</sup>. Roth (2003) in his paper “How do Internal Audit Asset Value” shows through a case study that high-value world class audit function has a high percentage of certified auditors. The Federal Government of Canada, in its Internal Audit Policy has put an emphasis on hiring certified internal auditors in the function. The policy indicates that higher number of certified internal auditors will increase professionalism across departments as they adhere to IIA standards (Treasury Board of Canada 2006). However, the research of D’Onza et al. (2015:190) did not find any correlation between certified auditors using IIA standards and the ability to add value to an organization. Juillet (2016:24) puts forward in his research that certification should not be taken as a guarantee of expertise, rather more attention needs to be paid to soft skills. This aligns with the findings of Roussy (2013) where she found from her interviews with the provincial public sector in Québec that there is strong need for some core values (e.g. courage, integrity) and “soft skills” (e.g. interpersonal and communication skills, judgement, political acumen, etc.) as opposed to technical expertise. More work needs to be done to understand the correlation of CIA having technical skills and audit effectiveness.

On the other hand, several literatures mentioned that the recruitment and retention of qualified internal auditors is a big challenge in public sectors, especially in Canada (Liston-Heyes and Juillet 2018:427; Juillet 2016:24). There is a high turnover rate among internal auditors due to the lack of an appropriate classification and appropriate pay scales commensurate with internal auditors’ education, experience and skills (Liston-Heyes and Juillet 2018). In the federal government of Canada, there are many different classifications for internal auditors,

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<sup>6</sup> This the sole globally accepted certification for Internal Auditors.

including AS, AU and FI (Treasury Board of Canada Secretariat 2012). Each of these classifications have different pay scales, therefore internal auditors perform the same job but are compensated according to different pay scales because of discrepancies in the different classifications. It gets difficult for government departments to retain and attract qualified candidates because of the low pay rate (Treasury Board of Canada Secretariat 2012). The pay scale of internal auditors is also relatively lower than other professional communities within federal departments that are active in neighboring fields, such as evaluation, risk management, and project management, who have the classification “EC” (please see table-1). Furthermore, the AS classification which is the most common among internal auditors in federal departments, does not recognize the skills required of an internal auditor. The government standard for an AS classification is a high school diploma (Public Service Commission Canada), therefore there is no incentive to obtain a CIA designation or any other certification. For hiring of an IA in a federal department, it is preferred that internal auditors have university degrees and professional designations, yet they do not earn much more than other staff in the AS category, who do not require as much formal education. In addition to classification and pay scale differences, stress and anxiety are also important factors that negatively affect internal auditors. Liston-Heyes and Juillet (2018) in their research found that the auditors routinely feel isolated and undervalued, which leads to stress and anxiety. In the same research the authors stated that internal audit is depicted as a boring profession and has negative connotation that reinforces the isolation and discourages new young people (fresh university graduate students) to join the audit function within the public sector in Canada.

Table 1: Comparison of starting salary (in CAD) of Internal auditors with other professionals in the federal department of Canada

	Job classification	Level-1	Level-2	Level-3
Internal Auditors	AS	57,430	59,612	61,877
	AU	59,725	62,313	64,882
	FI	58,336	62,255	66,170
Other professionals (neighbouring to internal audit)	EC	61,249	62,734	64,931

Source: Treasury Board of Canada, 2019

### Internal Audit Effectiveness and Value

Over time, as the global understanding of risks evolved and became complex, internal audit functions within the public sector have diversified and have played multifaceted roles in the organization. Such diversity is also observed in the Canadian public sector. Juillet (2016) in his study found that verifying compliance against legislative and policy requirements, reviewing the effectiveness of internal controls and risk management, as well as assessing performance and “value-for-money” occupy much of the time of many internal auditors in the public sector in Canada. Similarly, the IIARF research (2014) found that the internal auditors in Canadian public sectors spend on average 48% of their time and resources on ancillary services, which involves compliance auditing, risk management, advisory services, performance auditing etc. This shows that the internal audit today in the public sector is involved with a multiplicity of services and that it has the potential to be an independent review function in today’s Canadian public sector.

The Institute of Internal Auditors (2013) has put forward in one of their position papers a model of Three Lines of Defence, which provides a fresh look at operations, helping to assure the ongoing success of risk management initiatives, and it is appropriate for public sectors. The first

two lines of defence discuss operational and risk management. The third line of defence focuses on the internal audit. Internal auditors provide comprehensive assurance based on the highest level of independence and objectivity within the organization. This high level of independence is not available in the first two lines of defence (IIA 2013:5). As an essential element of a strong public sector governance structure, internal auditing supports the governance roles of oversight, insight, and foresight. In a research report, named “Unlocking the Power of Internal Audit in the Public Sector”, by Carmen Abela and James R. Mitchell (2014), the authors mentioned that the three broad value elements that the internal audit provides (oversight, insight and foresight) produce namely comfort, knowledge and practical solutions to the senior management and the Audit Committees. In order to do so, the internal auditor play the following three roles: protector, educator and business advisor.

### **Oversight: Internal Audit as Protector**

Internal Audit assists public sector organizations and their audit committees in exercising oversight by evaluating whether public sector entities are doing what they are supposed to do, spending funds for the intended purpose and complying with laws and regulations (IIA 2013:15). Internal Audits focusing on oversight answer the questions, “Has the policy been implemented as intended?” and “Are managers implementing effective controls to minimize risks?” (Abela and Mitchell 2014:10).

The survey conducted by Abela and Mitchell (2014) shows that a significant number of the senior executives in Canadian Federal departments viewed internal audit as protector. Internal auditors acting as ‘protectors’ protect the top management, managers and audit committee members from external threats. In cases where there is a significant probability that a breach in

compliance has occurred or any scandal has broken out, the protection provided by internal auditors involves preparing the top management and managers for an appearance before a parliamentary committee or for answers to questions raised by the General Auditor in the event of an audit. Once the problem is solved, the internal audit function will generally include a compliance audit or a value-for-money audit in their annual plan or perform these assignments immediately (Juillet 2016; Roussy 2013).

Auditors acting as ‘protective shields’ protect the organization as a whole in the event of a perceived threat from an external body, such as the Office of Auditor General (Roussy 2013:562). Roussy (2013) found in her research that in the context of public service in Quebec, the Auditor General of Quebec was perceived to be the most threatening entity. One of the responsibilities performed by internal auditors is to prevent potentially negative repercussions from interventions by the General Auditor of Quebec. Internal audit function ensures that things are done properly so that the General Auditor of Quebec cannot complain to the senior management of the department that the organization is not doing things properly. In general, Internal Auditors also support the managers who are required to respond to the criticisms of the Auditors General of Canada during the validation of the report.

Internal Audit function’s role as protector is to be the eyes and the ears of the Audit committee and the Deputy Minister. The Internal Audit function is expected to paint an accurate picture of the issues that are of concern to the Audit committee members. The Internal Audit Function “reassures” the committee members in their role since they possess relatively shallow knowledge of the organization (Juillet, 2016). Roussy (2013) and Abela and Mitchell (2014) in their respective researches, found that the Deputy Ministers and Audit Committees have access to information filtered by the managers of the organization. As a result, they are deeply aware of the

potential for mistakes caused by inaccurate or incomplete information. This is where IAF plays an important role by warning them of issues that managers may wish to conceal and also guide them through the administrative complexities of the organization.

### **Insight: Internal Audit as Educator**

Internal Auditors provide insight to assist public sector organizations and their audit committees by assessing which programs and policies are working and which are not, sharing best practices and benchmarking information (IIA 2013:16). Internal audit maintains expertise in systems of governance, risk management and control. They use their knowledge in these areas as the basis for audit criteria and as foundations for professional judgement (Abela and Mitchell 2014). Sarens and De Beelde (2006:63) in their paper mentioned that IAF plays a pioneering “teaching role” in relation to the creation of a higher level of risk and control awareness, leading to the improvement of risk management and thus can demonstrate the function’s value to organization. Moreover, as the government in Canada is moving towards better Enterprise risk management framework (Juillet 2016:53), IAF can go beyond its regular function of auditing and play an important role as educator by “educating” managers about how to identify and assess risk.

Internal auditors also intervene actively when a new management practice process needs to be introduced or when a new type of accountability is imposed by a central body (Juillet 2016). For example, the obligation to produce an annual management report that must be submitted to the parliamentary committee, the development and introduction of new software programs, and the introduction of a risk management process. The case of risk management will be used to illustrate the effects of the leadership role performed by the IAF. As a result of being forced to become involved in risk management during the modernization of the state without knowing how to apply

risk management, several top managers and managers turned to the IAF, since the IAF already planned its activities based on its own assessment of organizational risks (Ahmad and Taylor 2009). This is how the internal audit function plays the role of guide for departments.

However, the result of the survey that was conducted by Abela and Mitchell (2014), show that a good number of senior executives in the public sector believe that internal audit was an educator to almost no extent or too little extent. The authors posit that the professional characteristics of the internal audit profession may be at the root of this perception, where they are seen more as diagnosticians rather than as educators.

### **Foresight: Internal Audit as Business Advisor**

Internal audit standards explicitly position the function as both an assurance and a consulting function. Audits focusing on foresight help answer the question: “What policy revisions or implementation would meet a future need or risk?” (IIA 2013). However, just as the case of the educator role, internal audit is still not seen as business advisor (Abela and Mitchell 2014). The survey result in the study of Abela and Mitchell shows that a very high proportion of senior management do not consider internal audit as an input when public policy is developed, it is perhaps because questions of policy relate more to stakeholders' needs and political direction. Auditors are trained to be evidence-based and to provide definitive answers. Stepping into policy questions where answers are not always evident can be uncomfortable. Moreover, another common observation that can be drawn from the literature is that internal audit lacks sufficient knowledge of organization’s business to understand and respond to the needs of senior management (Juillet 2016; Abela and Mitchell 2014). Due to the lack of this understanding about the organization’s business, the recommendations the IAF makes are sometimes inapplicable because they do not fall within the practice of the organization.

Internal Audit functions are often found to support organizational performance by performing strategic consulting assignments. Internal auditors are members of various management committees in their organization. By taking part in such committees, they provide “practical advice” regarding the improvement of the management of the organization (Roussy 2013). “Providing advice to line managers and helping them think about their work, about how to improve their program or a process is much better value than what an organization would get from the potential result of an audit” (Juillet 2016:34).

However, the Federal Internal Audit policy indicates that the internal audit should focus more on delivering assurance to senior management rather than be an advisory service. There is a concern that the provision of advice might compromise the independence and objectivity of auditors who might eventually have to audit processes or programs that were designed partly with the help of their advice.

### **Innovation: Internal Audit promote Innovations**

In Canada, several studies mentioned that the Canadian public sector is risk-averse and that it is hindering its capacity to innovate. This shows that IAF has an important role to play in supporting a shift to a more innovative public sector. Internal audit function uses their cross-cutting central position to help the public sector become more innovative by changing the culture of risk aversion and supporting the acquisition of better risk management practices (Juillet 2016). However, in order to bring change, it also requires internal auditors to be mindful of their own attitude. During the audit, instead of criticizing people for taking risks to find ways to do things better, the wording must be well adopted and ensure that much is learned from attempts at innovation (Juillet 2016:64). Besides the smart-risk management, innovation can also be promoted by effective data analytics. For example, the public sector, in Canada is becoming increasingly

aware of the potential value that can be gained from big data. Therefore, data analytics skill is becoming the most lucrative skill within the public sector. This skill can also be very useful for the IAF, because by leveraging effective data analytics strategies, IAF can boost organization's efficiency, while improving the quality of evaluation risks and controls receive. In Juillet's (2016) research, he found that there is widespread support for greater use of data analytics across the public sector, but seldom it is incorporated in the internal audit work. The lack of quality data and employees with technical knowledge related to data analytics are the two big challenges that are hindering IAF to incorporate data analytics in their work (Juillet 2016:49). To meet the data analytics skill, some departments are hiring young employees at IAF but studies found that the problem persists because there is lack in understanding among senior auditors on how to actually use the data analytics in the context of audit work. Therefore, more effort needs to be put by people in senior management positions to develop data analytics techniques in the work of internal audit. Using data analytics more effectively, would not only increase the value and effectiveness of internal audit; it would also enhance the capacity of the public sector to learn and innovate from the expertise and work of auditors.

From the academic literature reviews, it appears that the value of internal audit fundamentally rests on its ability to deliver reassurance and comfort to senior management (Deputy Ministers and Audit Committees) and to stimulate organizational learning and innovation across their organization. Although, some factors may seem to hold back the IAF in today's public sector, especially balancing the workload between providing assurance on one hand and education and advice on the other. Current standards require internal auditors to display objectivity and to be independent of top management. Internal auditors seeking to act as shields protecting the top manager and acting as advisors and educators are therefore more likely to breach the limits

imposed by their profession in terms of objectivity. However, Radcliffe (2011) in his paper “Public Secrecy in auditing” (p.727-728) warned against unjustified attack on auditors for failing to display independence, and argued that to protect a public senior management or provide advice are not always or necessarily a failure of independence, but a practical behavior adopted by auditors to perform a difficult job or task. The valuable role that the internal auditors play in the organization reduces the inherent risk of the principal-agent relationship. Through the roles mentioned above, internal audit function is well positioned and equipped to reliably inform senior management, strategic deliberations and decisions. This will lead to creation of effective management structure and allow to implement strategies so that the organizational performances remain effective and efficient.

### [Assessment of Internal Audit activity in the Federal departments](#)

The objective of the Treasury Board Policy on Internal Audit is to ensure that the oversight of public resources throughout the federal public administration is informed by a professional and objective internal audit function, that is independent of departmental management.

Heads of organizations, i.e. Deputy Ministers in the context of Canada’s public sector are responsible for ensuring internal audit in the department is carried out in accordance with the Institute of Internal Auditors International Professional Practices Framework unless the framework is in conflict with the Treasury Board Policy or its related directive. If there is a conflict, the policy will prevail (Treasury Board of Canada 2017).

It is important that the principals are receiving assurance and that activities are managed in a way that demonstrates responsible stewardship. Therefore, departments with internal audit functions need to comply with certain attributes to demonstrate that at a minimum, the fundamental

elements necessary for oversight are in place, are operating as intended and are achieving results (Treasury Board of Canada 2017).

In this section, I have assessed the following aspects of two large federal departments- Employment and Social Development Canada (ESDC) and Canadian Heritage (CH) to understand the extent to which these departments' internal audit work complies with the policy and IIA standards:

- Professionalism of Internal auditor (designation)
- whether independent department audit committee are established
- the reporting relationship of internal audit;
- the risk-based audit plan that the internal audit activity created;
- whether the reporting practices met the requirements of the Policy and the IIA Standards;
- and
- whether the internal audit activity had completed an external quality assessment review, as the IIA Standards require.

### **Policy on Internal Audit**

All over the world, the public sector is becoming complex, challenging and at the same time, expectations for accountability and stewardship are on the rise (Abella and Mitchell 2014). Therefore, there is an increasing need for the public administrators and political players to remain transparent and accountable to the public. In Canada, there is evidence that the public's trust in government institutions is eroding (Edelman Trust Barometer 2018). Moreover, in the past, the federal sponsorship scandal challenged public faith in the accountability of government institutions. This led the federal government to put in place many improvements aimed at

strengthening governance and oversight, like the adoption of the Federal Accountability Act and the adoption of the 2006 Policy on Internal Audit. The 2006 Policy on Internal Audit introduced significant changes on how internal audit is performed in the Government of Canada. The policy positions internal audit as a core function to advise departmental management and is central to fulfilling Deputy Ministers' accounting officer role. Among other things, the policy requires deputy heads to ensure that their departments have an appropriate, independent internal audit capacity; mandates the establishment of independent departmental and agency audit committees that have external members; and sets out a clearer role for the Comptroller General in establishing government-wide guidance and standards to ensure the effective implementation of internal audit across government (Treasury Board of Canada 2017).

### **Internal auditors with appropriate training**

The Treasury Board Internal Audit Policy aims to develop professional internal audit function within departments by hiring certified auditors or by encouraging auditors to obtain a professional certification (e.g., a CIA designation). I consulted the Performance Results for IAF in order to assess to what extent the Internal auditors in these two departments (i.e. ESDC and CH) have the required training to do the job effectively. The table below summarizes the staff designation status as of June 2019 in the Internal audit department in both the departments:

Table 2: Status of internal auditor’s designation

Organization	Qualification	% of staff
Employment and Social Development Canada (ESDC)	Having an internal audit or accounting designation (Certified Internal Auditor [CIA], Chartered Professional Accountant [CPA])	50%
	Having an internal audit or accounting designation (CIA, CPA) in progress	21%
	Holding other designation (CGAP, CISA, etc)	21%
Canadian Heritage (CH)	Having an internal audit or accounting designation (Certified Internal Auditor [CIA], Chartered Professional Accountant [CPA])	23%
	Having an internal audit or accounting designation (CIA, CPA) in progress	23%
	Holding other designation (CGAP, CISA, etc)	21%

Source: Departmental Performance Result for Internal Audit Function, 2019

According to Government Electronic Directory Service<sup>7</sup>, there are 31 full-time employees (see Appendix-2) working in the Internal Audit Branch at Employment and Social Development Canada. These comprises of the Senior Executives (i.e. Directors) as well as operational professional internal auditors. As of June 2019, according to the latest published Performance Result for IAF at ESDC, 50% of the employees in the Internal Audit department have CIA or CPA designations. On the other hand, there are in total 12 full-time Internal Auditors working at Canadian Heritage, of which only 23% of its employees have this professional certification. While, in both these departments, the same percentage of staff members (indeterminate employees), i.e. around 23% have formally registered with and have been accepted by the certifying body to

<sup>7</sup> GEDS provides a directory of public servants across Canada. This comprises of the employees (i.e. employees in both indeterminate and term contracts) working in each department/agency. This directory excludes contractors, students and casual-term employees.

complete the requirements of the professional designation in a prescribed time frame and have registered for at least one component of the certification process. Therefore, the internal auditors working in both departments have appropriate professional qualifications, skills and also provide opportunity for its employees for training and development and obtain Certified Internal Auditor Certification.

### **Establishment of the Departmental Audit Committee**

Independent departmental audit committees are an important part of the governance structure of departments. These committees are designed to offer objective advice and recommendations to the Deputy Minister on whether the department's risk management, control, and governance frameworks and processes (including accountability and auditing systems) are adequate, and on how well they have been implemented. As per the revised Treasury Board Internal Audit policy, all the Deputy Ministers had the mandate to form departmental audit committees, with a majority from outside of the federal public service (Treasury Board of Canada, 2006).

After reviewing the internal documents, it is found that Employment and Social Development Canada (ESDC) and Canadian Heritage (CH) have established audit committees. I reviewed the composition of the audit committees in each of the two largest departments to find out whether the makeup of each committee met the Policy's requirements. Specifically, I assessed whether the majority of members are from outside the federal public administration, and, in the case of department members, whether they are Deputy Ministers or Associate Deputy Ministers. The table-3 below shows the composition of the Departmental Audit Committee of these two departments:

Table 3: Composition of the Departmental Audit Committee at ESDC and CH

Department	Name	Status	Profession
Employment and Social Development Canada (ESDC)	Margaret MacDonald	Chair of the Committee	Professor, Saint Mary's University
	Daniel Brant	Member	Professor, Queen's University
	John Thompson	Member	Professor, Ivey Business School
	Graham Flack	Member	Deputy Minister, ESDC
Canadian Heritage	Jean LaRose	Chair of the Committee	CEO, APTN
	Chantal Péan	Member	Principal, Pean Governance Consulting
	Norman Turnbull	Member	CFO, Institute of Corporate Directors
	Hélène Laurendeau	Member	Deputy Minister, Canadian Heritage

Source: Treasury Board of Canada Secretariat, 2020

As seen from the table above, the members appointed are independent of the Federal public service. Each committee has at least one member with financial expertise that the Policy requires. The department member of the audit committee is the Deputy Minister. All these external members are appointed via the established Office of Comptroller General Process.

The Policy requires audit committees to give advice and recommendations to the Deputy Ministers on the quality and results of assurance projects and the adequacy and functioning of the department's risk management, control, and governance frameworks and processes (including

accountability and auditing systems). As part of their responsibilities, departmental audit committees are to review and report at least once a year on these topics:

- management's arrangements to promote public service values and ethics and to ensure that departments comply with laws, regulations, policies, and standards of conduct;
- the corporate risk profile and the department's arrangements for managing risk;
- the department's arrangements for internal control; and
- assessments of the internal audit activities.

As per the internal documents of both the departments, it is found that the responsibilities of the audit are documented in a Terms of Reference or Charter that is approved by the Deputy Minister. This document is reviewed periodically by the Deputy Minister in consultation with other Department Audit Committee (DAC) members. The DAC Chair prepares, and presents to other members, an annual plan to ensure that the ongoing responsibilities of the committee are scheduled and fully addressed. From the organization's website, it is found that the audit committees create work schedules that would allow them to address all areas of their mandate each year. In both these departments, the Audit Committee meets on average four to five times a year and plans their meetings one year in advance so that departmental management and auditors can prepare the information and reports required to support the committee's work.

Proper documentation of the discussions and activities of the audit committees is an important element of showing the work that is being done. As part of the analysis, I reviewed three meeting minutes<sup>8</sup> of the departmental audit committee meeting of ESDC to have a general

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<sup>8</sup> These meeting minutes are classified documents of the department and not to be shared in public. As I work at Employment and Social Development Canada, I was able to have a look at it with a condition of not using the content in the research paper.

understanding of the Audit committee meeting. The minutes contained a recommendation for the Deputy Minister to approve key items such as the risk-based internal audit plan or completed internal audit reports. I noted that the minutes did not always describe the content of the discussions in detail, instead it mentioned the agenda items that were discussed. For this reason, it was not possible to assess the nature and extent of the discussion of key items.

### **Reporting relationship support independence of Internal Audit**

The Treasury Board's Policy on Internal Audit (the Policy) requires that the internal audit activity report directly to the Deputy Minister. Such a reporting relationship is an essential element in creating and preserving the internal audit activity's independence. I found that in each of the two departments, the internal audit activity reported directly to the Deputy Minister.

### **Annual audit plan focuses on key risks**

I looked at whether each of the two departments had developed a risk-based audit plan for the internal audit activity.

Government policy and the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (the IIA Standards) require that the internal audit activity develop a risk-based audit plan to set its audit priorities, in keeping with the organization's goals. In each of the two departments, the internal audit activity had developed a risk-based audit plan in keeping with the guidance. I noted that these plans clearly described those areas of departmental activities that would be subject to audit in the three-year planning horizon and explained why some areas would not be audited. In each case, the departmental audit committee had reviewed the risk-based audit plan. I found that there is an alignment between risk-based audit plans developed by internal audit and the department's risk profiles.

I noted that internal audit activities reported regularly to their respective audit committees on the status of work completed and key changes to their internal audit plan.

### **The results of internal audit work need to be reported clearly**

I assessed the reporting practices that the two departments used to communicate the results of the work that the internal audit activities completed. The IIA Standards require an internal audit report to contain, at a minimum, the purpose, scope, and results of the engagement. The report is also to include observations, conclusions, opinions, recommendations, and management's action plans to correct any weaknesses noted. In addition, internal audit reports must clearly set out the results of the audit work.

I analyzed random internal audit reports of both the departments that are published in their respective websites. I observed that the reports meet the requirements and also explains the nature and extent of the observations so that the reader can understand their importance. I noted a good practice that CH's internal audit activity adopted: using a rating system to identify whether controls are adequate. This approach sums up the department's performance for senior management and the audit committee. The conclusions and ranking reached for each of the examination criteria used in the audit were developed according to the definitions illustrated in the table below. This approach clearly shows relative strengths and weaknesses in management practices and focuses on areas that need immediate attention. On the other hand, ESDC uses symbols to rate whether controls are adequate. However, unlike CH, these ratings are not clearly defined and difficult to understand the findings' significance.

Table 4: Canadian Heritage uses a rating system to identify whether controls are adequate

Conclusion on audit criteria	Numerical categorization	Definition of conclusion
Is well-controlled	1	Is well-managed—with no material weaknesses noted—and is effective.
Is controlled	2	Is well-managed—but minor improvements are needed—and is effective
Has moderate issues	3	Has moderate issues that call for management focus (at least one of the following two criteria must be met): <ul style="list-style-type: none"> <li>• control weaknesses exist, but exposure is limited because likelihood of risk occurring is not high; or</li> <li>• control weaknesses exist, but exposure is limited because impact of the risk is not high.</li> </ul>
Significant improvements are needed	4	Requires significant improvements (at least one of the following three criteria needs to be met): <ul style="list-style-type: none"> <li>• financial adjustments that are material to line item or area or to the department are required; or</li> <li>• control deficiencies represent serious exposure; or</li> <li>• major deficiencies are found in the overall control structure.</li> </ul>

Source: Adopted from Canadian Heritage rating system

The Policy on Internal Audit contains the requirement to make the results of an audit available to the public within 6 weeks of their completion. Both these organizations have published all their internal audit reports (from 2005 to the most recent ones) on their website, which could be easily downloaded and consulted. If there are any confidential or sensitive information, those sections of the reports are severed by the department in accordance to the Act.

## External quality assessment review

The Policy requires each Internal Audit activity to have an external review conducted at least once every five years (Treasury Board of Canada, 2017). Quality assessment reviews cover the entire spectrum of Internal Audit work that the internal audit activity performs. These reviews assess internal audit activities using three categories: “generally conforms,” “partially conforms,” or “does not conform” to the IIA Standards.

**Generally conforms to the Standards**—The relevant structures, policies, and procedures of the internal audit activity, as well as the processes by which they are applied, complied with the requirements of the Standards. While there may be opportunities for improvement, these did not represent situations where the internal audit activity had not implemented the Standards, did not apply them effectively, or did not achieve their stated objectives.

**Partially conforms to the Standards**—The internal audit activity has fallen short of achieving some of its major objectives. These will usually represent some significant opportunities for improvement in effectively applying the Standards and/or achieving their objectives. Some of the deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

**Does not conform to the Standards**—The internal audit activity is not achieving many of the objectives of the Standards. These deficiencies will usually have a significant negative impact on the internal audit activity’s effectiveness. They may also represent significant opportunities for improvement, including actions by senior management or the board.

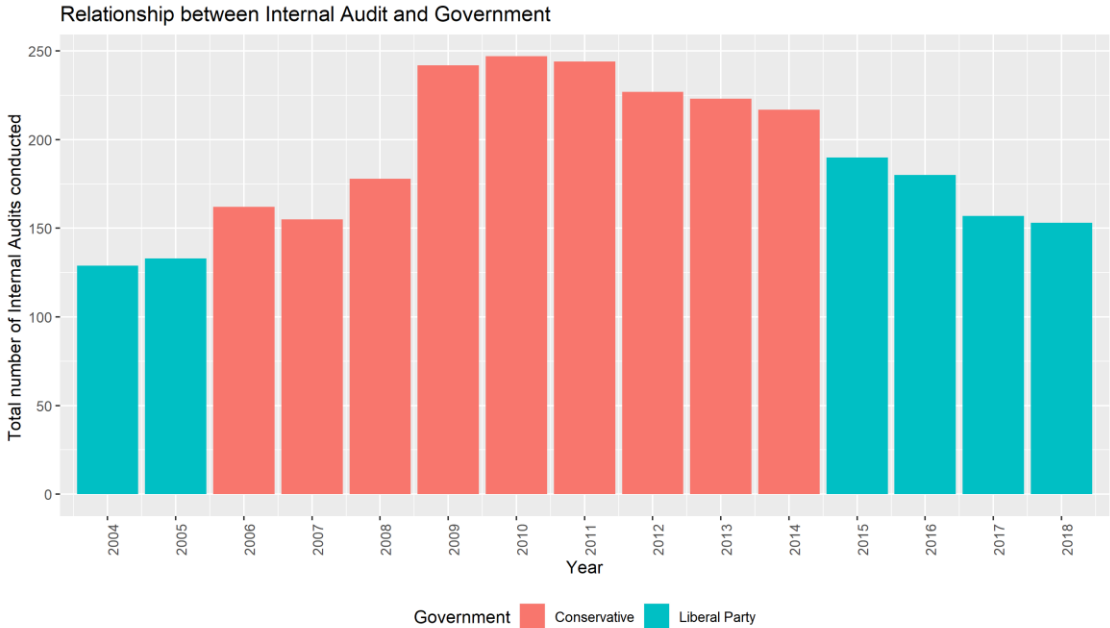
Source: Adapted from Institute of Internal Auditors Quality Assessment Manual

In both the departments, the Chief Audit Executive has developed and maintained a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity. From the website of both organizations, it is found that the last external assessment was carried out in March 2016 for ESDC and April 2015 for CH.

From the above analysis of the two large federal departments in Canada, it can be assumed that the Internal Audit Function within the federal departments completely meet the practice of internal auditing issued by IIA and also complies with Treasury Board policy on IA. Independent departmental audit committees have been established across departments consisting of members outside the federal departments. The members have the collective skills and experience required to provide Deputy Ministers of departments with objective advice and recommendations. The internal audit activities in departments have undergone an external quality assessment review, then my own review of sample internal audit report found that they generally conform to policy requirements and to the standards of the IIA. Overall, an effective internal audit activity is established within the federal departments, which ensures the key financial, administrative, and operational activities and the organization's management practices are efficient and effective. Moreover, having a strong and direct reporting relationship with senior management allow the internal audit function to suggest ways to improve the organizations' activities and practices which reflects in the recommendation section of the audit report. This leads the organization to assess and oversee management practices and find out whether the organization is achieving its objectives. Finally, publishing the report in public with the audit findings and the management's response indicate the federal department's commitment and transparency to the principals (the public).

# Relationship between Government and the Internal Audit

Figure 1: Number of Internal audit conducted by federal department over the period 2004-2018

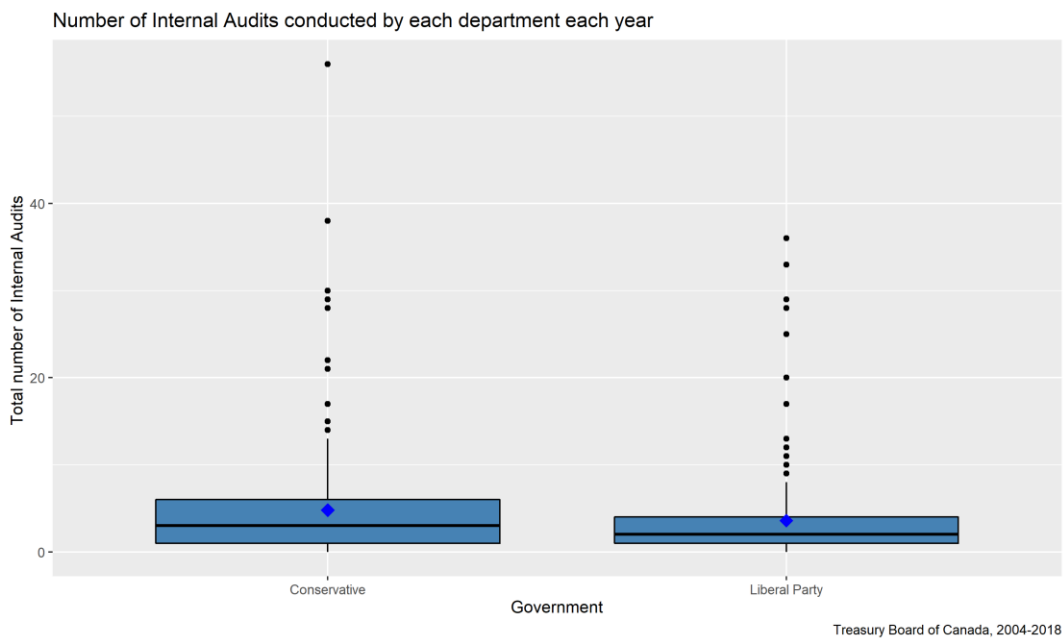


Treasury Board of Canada, 2004-2018

The figure shows that the number of Internal Audits conducted by the federal departments started to increase from 2006, witnessed a sharp increase in 2009 and reached at its peak in 2011. The rise in number of Internal Audits occurred during a Conservative Party government. This increase in the number of Internal Audit in the federal departments can be explained by the significant change in policies that the erstwhile government introduced during that period. When Stephen Harper’s Conservative government took office on February 6, 2006, “accountability” defined the spirit of the times (Flumian et al. 2016). The prime minister renamed his ministerial playbook “Accountable Government”, and the new government’s first order of business was a promised Federal Accountability Act (FedAA). There was an increased focus on the Internal Audit throughout the public sector during that period of time. Moreover, in 2009, Canada was hit by the worldwide financial crisis, which forced the Conservative government to develop a stimulus

package. The government had to ensure that the package was responsive and responsible and therefore the focus was to ensure that the actions were taken within a framework that identified risks, allowed to put appropriate controls in place and met program objectives (Treasury Board of Canada Secretariat 2011). As result, the internal audit function in each department was mobilized in order to formulate advice for management, and develop approaches and tools that were timely, front-end and risk-targeted. The prime priority of chief audit executives was to provide strategic and value-added advice to their departments as the government implemented the Economic Action Plan. This led the departments to conduct significant number of internal auditing during that period of time, and that also explains the sharp increase that we observe in Figure 1. The graph shows that the number of Internal Audit conducted in the federal department started to decrease from 2014 onwards.

Figure:2 – Box plot showing the distribution of Internal Audit data



The box-plot figure above shows the distribution of the number of Internal Audits published in each federal government department during both Liberal Party governments and Conservative Party governments. The figure shows that the median and mean number of internal audit by each federal department per year is greater during the Conservative Party government compared to the Liberal Party government.

**A. Simple Regression**

$$IA = \beta_0 + \beta_1 \times \text{Liberal Government} + u \quad \text{[ where } u = \text{error term]} \quad \text{----- Equation (1)}$$

Table:5- The Effect of Liberal Party Government on the Internal Audit

	(1)
(Intercept)	4.785 *** (0.276)
factor(Government)Liberal Party	-1.176 ** (0.438)
N	657
R2	0.011
logLik	-2049.817
AIC	4105.635

\*\*\* p < 0.001; \*\* p < 0.01; \* p < 0.05.

column names: names, model1

I began my analysis by first reporting the OLS estimates of the equation (1), which is presented in the Table-5. I ran a simple regression in order to understand the relationship between Government and the number of Internal Audits published by federal department. For the Government, I created a dummy variable for the Liberal Party government with a value 1 and the Conservative Party government holding 0. The intercept 4.785 shows the mean number of internal audit published by each federal department per year during the Conservative Party government. The coefficient  $\beta_1$  shows that as we move from a Conservative Party government to a Liberal Party government, in other words, one more unit of Liberal Party government, leads to reduction in the number of Internal Audit report published by 1.176 unit (number of reports

published/department/year) in comparison to a Conservative Party government. The effect is statistically significant.

However, it is not possible to make a causal claim about the effect of a Liberal Party government on the Internal Audit because in this model there are other factors (budget balance as % of GDP and the trust of people on government institutions) that are affecting both the dependent and the independent variable in the Equation (1). In order to overcome this problem of confounders, I run two separate regressions and controlled the effect of both the confounders.

### B. Multiple Regression

$$IA = \beta_0 + \beta_1 \times \text{Liberal Government} + \beta_2 \times \text{Budget balance} + u \text{ ----- Equation (2)}$$

$$IA = \beta_0 + \beta_1 \times \text{Liberal Government} + \beta_2 \times \text{Budget balance} + \beta_3 \times \text{Trust of people} + u \text{ ----- Equation (3)}$$

	(1)	(2)	(3)
(Intercept)	4.785 *** (0.276)	4.454 *** (0.317)	4.181 * (1.821)
factor (Government) Liberal Party	-1.176 ** (0.438)	-0.968 * (0.448)	-0.966 * (0.448)
budget_balance_GDP		-0.025 * (0.012)	-0.023 (0.017)
trust_of_people			0.006 (0.042)
N	657	657	657
R2	0.011	0.017	0.018
logLik	-2049.817	-2047.625	-2047.613
AIC	4105.635	4103.250	4105.227

\*\*\* p < 0.001; \*\* p < 0.01; \* p < 0.05.

The Column-2 shows the regression result when the budget balance is held constant, and it shows the effect of a Liberal Party government on the number of Internal Audit published in the

federal departments per year. When we control for the budgetary balance (in % of GDP), the result for the  $\beta_1$  shows that, one more unit of Liberal Party (i.e. the more we move from Conservative Party to Liberal Party) leads to reduction of conduct of internal audit by 0.968 units (i.e. reports published/dept./year) and the effect is statistically significant. Even in this equation, it is difficult to make a causal claim about the effect of a Liberal Party government on the Internal Audit because in this model there is also effect of factors like trust of people on government institutions that are affecting both the internal audit as well as the Government.

This leads to carry the third multiple regression (Column-3), where both the Budgetary balance as well as the trust of people are held constant, so that we can determine the causal effect of a Liberal Party government on the number of Internal Audits published by the federal department per year. When budget balance and trust of people are held constant, one more unit of Liberal Party (i.e. the more we move from Conservative Party to Liberal Party) leads to reduction of conduct of internal audit by 0.966 units (i.e. reports published/dept./year) and the effect is statistically significant.

There is a negative association between a Liberal Party government and the Internal audit conducted by the federal department for the period 2004-2018. The result shows that, as we move from a Conservative party government to a Liberal party government, the federal departments conduct less internal audit, and the result is statistically significant.

As part of next investigation, I explore the relationship between the Trudeau government and the Internal Audit and compare it with the Harper government during his last tenure (i.e. 2010-2015).

$$IA = \beta_0 + \beta_1 \times \text{Trudeau Government} + \beta_2 \times \text{Budget balance} + \beta_3 \times \text{Trust of people} + u$$

Equation (4)

	(1)	(2)	(3)
(Intercept)	4.970 *** (0.325)	4.704 *** (0.484)	4.834 (3.045)
factor(Government) Liberal Party	-1.234 * (0.490)	-1.184 * (0.495)	-1.187 * (0.504)
budget_balance_GDP		-0.017 (0.022)	-0.017 (0.023)
trust_of_people			-0.003 (0.063)
N	415	415	415
R2	0.015	0.016	0.016
logLik	-1251.984	-1251.708	-1251.707
AIC	2509.968	2511.417	2513.415

\*\*\* p < 0.001; \*\* p < 0.01; \* p < 0.05.

The column-1, the simple regression result shows the relationship between the Trudeau administration and the Internal audit. The result shows that one more unit of Trudeau government (i.e. the more we move from Harper administration to Trudeau administration) leads to a reduction of conduct of internal audit by 1.23 units (i.e. reports published/dept./year). The OLS regression uncovers a negative association between the Trudeau administration and the number of internal audits conducted in the federal government and the effect is statistically significant.

When we control for the confounders, i.e. the budgetary balance and the trust of people on government institution, the result in column 3 shows that one more unit of Trudeau government leads to decrease of conduct of internal audit by 1.18 units (i.e. reports published/dept./year) and the effect is statistically significant.

The result for the Trudeau government reflects the trend that was observed for the Liberal Party government.

From the analysis above, it is observed that internal audit is less used as a tool during the time of the Liberal Party government in the management of trust deficits between public and government institutions. However, it will be wrong to jump to conclusions that the Liberal Party government is less focused on transparency, accountability and improvements in public sector delivery compared to the Conservative Party government. Literatures and press articles indicated there was a shift in focus into “results” after Trudeau took power in 2015. There was greater emphasis on the use of evidence and data in program innovation, evaluation and reduce spending on government initiatives that are ineffective. In its 2016 Budget, the federal government indicated that it “is moving to a culture of measurement and impact, and is putting in place the tools to deliver on priorities, align resources to programs and activities that deliver real value for Canadians, and provide meaningful information to Canadians and Parliament”. In response to it, in July 2016, the Treasury Board released its Policy on Results, which replaced, among others, the Policy on Evaluation (2009) and the Policy on Management, Resources and Results Structures (2010). Under the new policy, federal departments are required to prepare departmental results frameworks that set out core responsibilities, develop inventories of programs, define results indicators for their programs, maintain robust performance measurement functions and establish neutral evaluation functions, including five-year evaluation plans. As a result, federal departments have put in more efforts to track and report on actual performance and help decision-makers objectively assess program or policy results, which is ensured through the conduct of evaluation.

I assume that this change in priority of the government resulted in more use of evaluation function in the federal departments compared to the internal audit functions. However, further empirical analysis needs to be conducted in order to confirm the trend.

## Conclusion

The objective of the study was to explore the contribution, adoption and involvement of internal auditing in improving management within public sectors in Canada. It was found from literatures that internal auditing has a valuable role in NPM. Whilst limited research exists on the theoretical bases of internal auditing, literature suggests that internal auditing is underpinned by the agency theory. An argument was made that internal auditing, because of its assessment and evaluation role and its independent position within an organisation, is well placed to undertake the independent verification of performance measurement and of the information provided by agents to principals. The study found that the internal audit contributes to deliver reassurance and comfort to senior executives. It also fosters organizational learning and innovation in support of organizational improvements through its role of educator and business advisor. This contribution of internal audit is important because the value it brings with its function allows the organization to be more efficient, effective and innovative, which ultimately develops people's trust in the public sector. In terms of adoption of internal audit function in the Canadian public sector, it was found that Internal Audit Function within the federal departments is well adopted and complies with the practice of IIA and the attributes of the Treasury Board's Internal audit policy. From the review of two large federal departments, it is clear that the government has strengthened its internal audit capacity within its department. The support of senior management and Department Audit Committee have resulted in independent, objective internal audit activities. The internal audit reviewed for the purpose of this research are assuring management about internal control and

making recommendations to improve departmental practice. This research also presents to what extent the use of internal audit as a tool of administrative oversight varies with the change of Government in Canada, i.e. between a Liberal Party government and a Conservative Party one. The result suggests that there is a negative association between a Liberal Party government and the Internal Audit conducted by the federal department for the period 2004-2018. The result shows that, as we move from a Conservative party government to a Liberal party government, the federal departments conduct less audit. For the period of Trudeau's administration, we see that there is also a negative association between the government and internal audit, in comparison to the Harper administration and the effect is statistically significant. Therefore, there is less involvement of internal audit as governance mechanism in the public sector. It can be assumed that after the Trudeau government took power in 2015, there was more emphasis on results of the government programs, which reinforced the use of other tools like evaluation that helped government to deliver what was promised to voters. I argue that this emphasis on results diverted the focus of the government away management process and controls. However, in order to confirm further empirical analysis is required.

The study has contributed to the existing body of knowledge of NPM and the theory and practice of internal auditing at federal departments in Canada. There is a wide range of questions and issues that need further academic investigation for understanding the impact of internal audit in the public sector. For example, for understanding the relationship between internal audit and organizational performance, we need to know more about the impact it has on the auditees. Therefore, a research should be carried out to investigate the behavioral impact that internal audit function has on the auditees. Then to better understand the preference of internal audit as tool for

the management of public trust over evaluation, it is important that an empirical research should be carried out to investigate the changing role of audit and evaluation in the management of trust.

The government aspire towards optimal performance of their departments, resulting in optimal service delivery to the public which will help to build people's trust on the government institution. Therefore, there is a need of a visionary partner to support government in steering their departments to an unknown future. Internal auditing now stands on the threshold of change towards becoming one of the most powerful structures to partner with management in steering the organisation into future success. It is now to be seen if internal auditing leaders and practitioners have the courage to make this leap of faith into the future? In the words of Clarence Darrow (1982):

*“It is not the strongest or the most intelligent that will survive but rather  
the one most adoptable to change”*

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## Appendix

### 1. R script for the quantitative section of the paper (imported from R)

```
library(tidyverse)

## -- Attaching packages ----- tidyverse 1.2.1 --

## v ggplot2 3.2.1    v purrr  0.3.2
## v tibble  2.1.3    v dplyr  0.8.3
## v tidyr   1.0.0    v stringr 1.4.0
## v readr   1.3.1    v forcats 0.4.0

## -- Conflicts ----- tidyverse_conflicts() --
## x dplyr::filter() masks stats::filter()
## x dplyr::lag()   masks stats::lag()

library(ggplot2)
library(huxtable)

##
## Attaching package: 'huxtable'

## The following object is masked from 'package:dplyr':
##
##   add_rownames

## The following object is masked from 'package:purrr':
##
##   every

## The following object is masked from 'package:ggplot2':
##
##   theme_grey

data<-read_csv("C:/Users/somen/Documents/MRP/MRP Audit/Dataset1.csv")

## Parsed with column specification:
## cols(
##   `No. of dept` = col_double(),
##   Department = col_character(),
##   Year = col_double(),
##   Audit = col_character(),
##   Evaluation = col_character(),
##   `Number of employees` = col_character(),
##   `Government expenditure (in million)` = col_double(),
##   Government = col_character(),
##   `Budgetary balance (in billion $)` = col_double(),
##   `Trust on government (%)` = col_double(),
##   `Budgetary balance(% of GDP)` = col_double()
## )
```

```

a<-as.character(data$Audit)
e<-as.character(data$Evaluation)
a<-as.integer(a)

## Warning: NAs introduced by coercion

e<-as.integer(e)

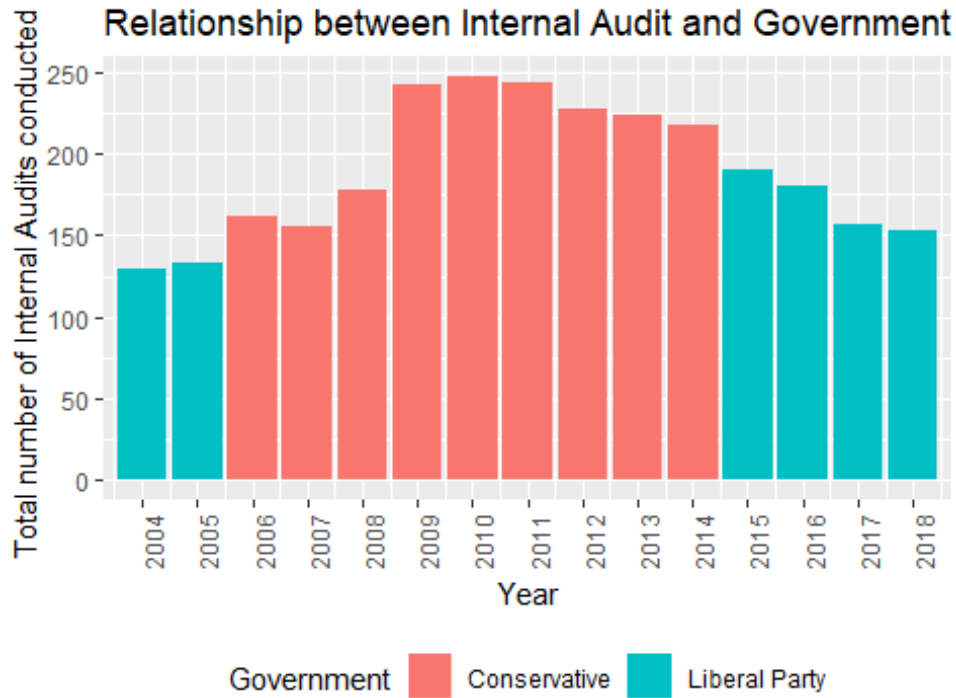
## Warning: NAs introduced by coercion

data$Audit<-a
data$Evaluation<-e

newdata<-data%>%
  filter(!is.na(data$Audit))
sum_Liberal_audit<-sum(newdata$Audit[which(newdata$Government=="Liberal Party")])
sum_conservative_audit<-sum(newdata$Audit[which(newdata$Government=="Conservative")])
gov<-c("Liberal", "Conservative")
sum_audit<-c(sum_Liberal_audit,
sum_conservative_audit)

z<-data.frame(gov,sum_audit)
ggplot(newdata,aes(x=Year, y=Audit,fill=Government))+scale_x_continuous(breaks = scales::pretty_b
reaks(n = 14)) +coord_cartesian(xlim=c(2004,2018))+
  geom_bar(stat="identity")+
  theme(legend.position="bottom",
  axis.text.x=element_text(angle=90))+
  labs(title="Relationship between Internal Audit and Government",
  caption="Treasury Board of Canada, 2004-2018",
  y="Total number of Internal Audits conducted ",
  x="Year")

```



Treasury Board of Canada, 2004-2018

#### Including Plots

You can also embed plots, for example:

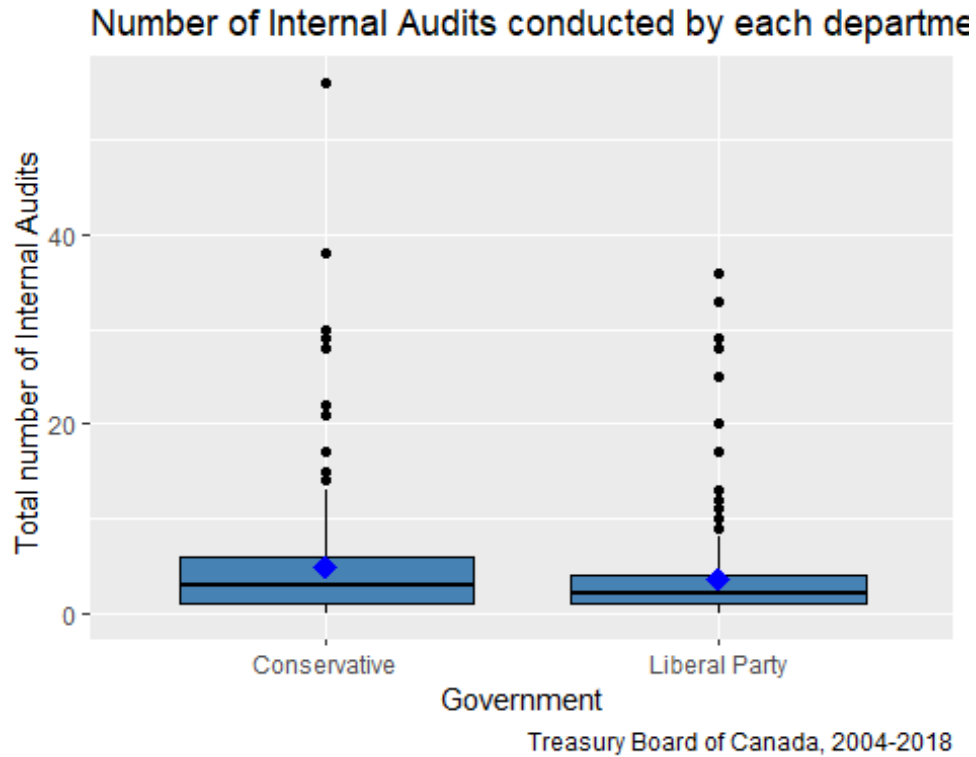
```
summary(newdata$Audit[which(newdata$Government=="Liberal Party")])

##  Min. 1st Qu.  Median  Mean 3rd Qu.  Max.
## 0.000 1.000 2.000 3.609 4.000 36.000

summary(newdata$Audit[which(newdata$Government=="Conservative")])

##  Min. 1st Qu.  Median  Mean 3rd Qu.  Max.
## 0.000 1.000 3.000 4.785 6.000 56.000

ggplot(newdata,aes(x=Government,y=Audit))+geom_boxplot(color = "black", fill = "steelblue")+stat_s
ummary(fun.y = mean, geom = "point", shape = 18, size = 4, color = "blue")+
labs(title="Number of Internal Audits conducted by each department each year",
caption="Treasury Board of Canada, 2004-2018",
y="Total number of Internal Audits ",
x="Government")
```



```
ggsave("myplot2.png",width = 25, height = 15, units = "cm")
```

Note that the `echo = FALSE` parameter was added to the code chunk to prevent printing of the R code that generated the plot.

```
newdata$liberal<-ifelse(newdata$Government=="Liberal Party",1,0)
newdata$conservative<-ifelse(newdata$Government=="Conservative",1,0)
model<-lm(Audit~factor(Government),data=newdata)
```

```
huxreg(model)
```

	(1)
(Intercept)	4.785 ***
	(0.276)
factor(Government)Liberal Party	-1.176 **
	(0.438)
N	657
R2	0.011
logLik	-2049.817
AIC	4105.635

\*\*\* p < 0.001; \*\* p < 0.01; \* p < 0.05.

```
colnames(newdata)

## [1] "No. of dept"
## [2] "Department"
## [3] "Year"
## [4] "Audit"
## [5] "Evaluation"
## [6] "Number of employees"
## [7] "Government expenditure (in million)"
## [8] "Government"
## [9] "Budgetary balance (in billion $)"
## [10] "Trust on government (%)"
## [11] "Budgetary balance(% of GDP)"
## [12] "liberal"
## [13] "conservative"

colnames(newdata)[7]<-"gov_expenditure"
colnames(newdata)[9]<-"budget_balance_GDP"
colnames(newdata)[10]<-"trust_of_people"

fullmodel1<-lm(Audit~factor(Government),data=newdata)
fullmodel2<-lm(Audit~factor(Government)+budget_balance_GDP,data=newdata)
fullmodel3<-lm(Audit~factor(Government)+budget_balance_GDP+trust_of_people,data=newdata)

huxreg(fullmodel1,fullmodel2,fullmodel3)
```

	(1)	(2)	(3)
(Intercept)	4.785 *** (0.276)	4.454 *** (0.317)	4.181 * (1.821)
factor(Government)Liberal Party	-1.176 ** (0.438)	-0.968 * (0.448)	-0.966 * (0.448)
budget_balance_GDP		-0.025 * (0.012)	-0.023 (0.017)
trust_of_people			0.006 (0.042)
N	657	657	657
R2	0.011	0.017	0.018
logLik	-2049.817	-2047.625	-2047.613

AIC	4105.635	4103.250	4105.227
-----	----------	----------	----------

---

\*\*\* p < 0.001; \*\* p < 0.01; \* p < 0.05.

```

newdata2<-newdata%>%
filter(Year>=2010)

model<-lm(Audit~factor(Government),data=newdata2)

fullmodel2<-lm(Audit~factor(Government)+budget_balance_GDP,data=newdata2)
fullmodel3<-lm(Audit~factor(Government)+budget_balance_GDP+trust_of_people,data=newdata2)

huxreg(model,fullmodel2,fullmodel3)

```

	(1)	(2)	(3)
(Intercept)	4.970 ***	4.704 ***	4.834
	(0.325)	(0.484)	(3.045)
factor(Government)Liberal Party	-1.234 *	-1.184 *	-1.187 *
	(0.490)	(0.495)	(0.504)
budget_balance_GDP		-0.017	-0.017
		(0.022)	(0.023)
trust_of_people			-0.003
			(0.063)
N	415	415	415
R2	0.015	0.016	0.016
logLik	-1251.984	-1251.708	-1251.707
AIC	2509.968	2511.417	2513.415

\*\*\* p < 0.001; \*\* p < 0.01; \* p < 0.05.

、  
 \*\*\*

## 2. List of Internal Auditors at ESDC and Canadian Heritage (not in order of seniority)

Department	Name of Internal Auditors	Designation
Employment and Social Development Canada (ESDC)	Berniquez, Linda	Senior Advisor
	Sheri, Ostridge	Senior Director
	Chris, Thomas	Senior Director
	Beauvais, Maxim	Internal Audit Project Leader
	Salloum Khalil, Ghanda	Internal Audit Principal
	Boushey, Romeo	Senior Internal Auditor
	Slaiman, Sateh	Senior Internal Auditor
	Huang, Crystal	Senior Internal Auditor
	Sanderson, William	Internal Audit Principal
	Sheh, Charlotte	Internal Auditor (Developmental)
	Tremblay, Eric	Senior Internal Auditor
	Wei, Duo Wen	Internal Audit Trainee
	Gareau, Gay	Internal Audit Principal
	Vanden Hock, Andrew	Internal Audit Project Leader
	Barette, Isabelle	Director
	Robitaille-Murray, David	Financial Auditor
	Wu, Yen	Audit Team Leader
	Moumouni, Aissatou	Internal Auditor
	Nakhle, Berthe	Internal Audit Principal
	Tartaglia, Giusippi	Senior Advisor IT Auditor
	Esenhaji, Abdelmajid	Director
	Tracey, Christopher	Senior Advisor
	Brière, François-Michel	Director
	Shivji, Nuruddin	Director Audit
	Bruni, Danielle	Project Services
	Beaudoin-Perry, Loriane	Head Project Service
	Godin, Isabelle	Internal Audit Principal
Rivest, Julie	Senior Analyst	
Cookey, Vivian	Financial Senior Auditor	
Maluley, Daniel	Manager Financial Auditor	
Canadian Heritage	Chartrand, Martine	Manager, Professional Practices and Recipient Audits
	Giguère, Sébastien	Senior Auditor
	Knight, Philippe	Manager, Internal Audit
	Laul, Trisha	Internal Auditor
	McKrae, Dahlia	Senior Auditor
	Ndiaye, Houssein	Senior Internal Auditor
	Paquette, Marie-Josée	Management Office, IA
	Robichaud, Erin	Consultant
	Pilon, Chrystianne	Senior Auditor
	Agbogbe, Kossi	Supervisor, Finance, Administration
	David Carolann	Senior Internal Auditor

Source: Government of Canada Directory

**3. Total number of Internal Audit reports published by each department (2004/05-2018/19)**

	Number of reports published
Aboriginal Affairs and Northern Development Canada	131
Agriculture and Agri-Food Canada	36
Atlantic Canada Opportunities Agency	29
Canadian Border Service Agency	89
Canada Revenue Agency	107
Canada School of Public Service	2
Canadian Centre for Occupational Health and Safety	1
Canadian Environmental Assessment Agency	0
Canadian Food Inspection Agency	44
Canadian Grain Commission	13
Canadian Heritage	90
Canadian Institute of Health Research	16
Canadian International Development Agency	0
Canadian International Trade Tribunal	0
Canadian Northern Economic Development	0
Canadian Space Agency	25
Canadian Transport Agency	4
Citizenship and Immigration Canada	79
Correctional Service Canada	66
Courts Admission Service	10
Department of Finance Canada	31
Department of Justice Canada	42
Economic Development Agency of Canada for the Region of Quebec	3
Employment and Social Development Canada	112
Environment Canada	44
Federal Economic Development Agency for Southern Ontario	0
Financial Consumer Agency of Canada	2
Financial Transactions and Reports Analysis Centre of Canada	1
Fisheries and Oceans Canada	61

Foreign Affairs, Trade and Development Canada	82
Health Canada	78
Immigration and Refugee Board Canada	0
Industry Canada	63
Infrastructure Canada	37
International Development Research Centre	0
Library and Archives Canada	14
National Arts Centre Corporation	0
National Defense	108
National Energy Board	41
National Film Board	1
National Research Council Canada	18
Natural Resource Canada	123
Natural Science and Engineering Research	24
Office of the Auditor General	487
Office of the Commissioner of Official Languages	32
Office of the Superintendent of Financial Institutions Canada	34
Park Canada	72
Parole Board of Canada	2
Privy Council Office	17
Public Health Agency of Canada	53
Public Prosecution Service of Canada	17
Public Safety Canada	24
Public Service Commission of Canada	60
Public Service Labor Relations Board	3
Public Works and Government Services Canada	50
Registrar of the Supreme Court of Canada	4
Royal Canadian Mounted Police	16
Shared Services Canada	13
Social Sciences and Humanities Research Council of Canada	24
Statistics Canada	48
Status of Women Canada	7
The Correctional Investigator Canada	5
The National Battlefields Commission	1
Transport Canada	67
Transportation Safety Board of Canada	10
Treasury Board of Canada Secretariat	52
Veterans Affairs Canada	57
Veterans Review and Appeal Board	0

Western Canada	Economic	Diversification	33
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