

## Internal Audit: Serving Management Through the Mission

The role of the Audit Sector in the Correctional Service of Canada is to assess whether the results of the activities, resources and efforts expended by the staff of the Service on behalf of the government and the taxpayer have been used efficiently, effectively and economically, and whether they ultimately result in better corrections. Have they safely moved more offenders out of institutions and back into the community? Have they made a positive impact upon our staff and the public? These are the types of questions we are attempting to address.

We will be examining these questions regularly as we proceed through our multi-year audit plan. Commencing with the 1989-90 year, more than half of our audit assignments can be described as primarily correctional rather than administrative. We will be looking at all of our major correctional programs over a five- to seven-year cycle.

It may never be pleasant to receive what we perceive to be bad news: to hear that our operations are not performing as well as we had thought, or that the controls we thought were functioning well are not. The alternative, however, is the "ostrich syndrome," which never works for long at the best of times. Whether we try to hide or not, we retain our obligation to answer our critics and be accountable to our masters. It is far better to be open and practice openness. In this fashion, not only do we indicate that we are serious about our contribution to the public, but we also send the clear message that when we find faults within our organization, we will address them directly and attempt genuine improvements.

A major objective of internal audit as a service function is the provision of timely, relevant and accurate information to all levels of the organization. In this context, audits and audit reports are like any marketable commodity and are subject to the same economic principles. That is, the demand for the product is related directly to its perceived utility. A product with limited utility will be ignored, placed on the shelf and forgotten.

The analogy is not exaggerated, as many audit departments experience highs and lows of demand and various levels of status within the organization. Client needs change over time, and an audit department must be able to adapt to meet these needs. Strict adherence to traditional methods or approaches will definitely reduce the utility of the internal audit function.

Internal audit within the Correctional Service of Canada has undergone several pendulum swings. In its initial development, internal audit was largely compliance-oriented, with particular emphasis on the financial aspects of the organization. The audit "universe" was defined primarily by responsibility centres, which meant federal penitentiaries and parole offices. This approach was appropriate to the highly centralized structure of the organization as it could respond to the demand from senior management at the headquarters level for very detailed operational data.

The centralized approach attempted to exercise control over all aspects of operations by establishing detailed procedures for all facets of institutional procedures. Responsibility centre managers had little flexibility to deviate from established procedures; when such deviation did occur, it was internal audit's role to report on this so that headquarters management could "correct" the situation. It was very clear to

audit staff who the ultimate client was, and what the expectations of internal audit were.

During the mid-1980s, the philosophy of the organization changed in keeping with overall trends in the management sciences. The emphasis shifted from centralized control to the delegation of increasing authority and responsibility at the local level. Detailed procedures that had been established at National Headquarters were replaced by less stringent guidelines, which allowed operational staff the freedom to interpret policy to meet their own unique environment and operating conditions.

The change in organizational philosophy altered the information needs of senior management. The requirement for detailed operational data was replaced with a need for more general information relating to the attainment of corporate objectives. Rather than information relating to **how** operations were performed, management was increasingly interested in **what** the operations were achieving. While relevant to a specific facility, observations had little relevance to senior management and certainly were insufficient to allow them to make decisions regarding overall programs.

The changing needs should have been recognized within internal audit and the necessary changes implemented to ensure consistency with this approach. However, the changes came about with alarming speed, and there was comfort in continuing with a tried and proven formula.

It is perhaps not surprising, but as the audit reports were unable to provide the information required, the function became largely ignored. The branch was merely going through the motions of producing reports, with little expectation that the work would have a significant contribution, or any, to the overall management of the department.

Staff felt as though they were operating in a void. Different approaches and various methods of presenting reports were tried, all in an attempt to arrive at a product that met the needs of the readers. Ultimately the process became one of firing shots in the dark in the hope that one of the shots would hit the target. Morale decreased significantly, primarily owing to the feeling of not contributing. Staff turnover became a problem and by the end of 1988 the staff complement had been reduced to 13 from the authorized allotment of 22. The organization was looking for a way to turn things around.

The opportunity for change came in early 1989 when the Correctional Service of Canada produced its Mission document. Core Value S had a direct impact on internal audit with its statement: We believe in managing the Service with openness and integrity and we are accountable to the Solicitor General. In such a short statement, it was clear that internal audit would have a significant role in the management of the Correctional Service. Internal audit has always been considered an integral component of any accountability framework, and this renewed and stated goal formally acknowledged that audit was expected to contribute to the organization.

Using the Mission document as a framework, the sector set about revising both its approach to internal audit and its organizational structure.

The first priority was to establish our own philosophy of internal audit. This resulted in the publication of an internal audit conceptual framework which outlined how the internal audit function planned to

contribute to the attainment of the Mission document. It was evident from the Mission document that the focus of internal audit would have to shift away from detailed reviews of responsibility centres to broaderscoped audits of programs and activities. This would provide management with sufficient evidence to demonstrate accountability. Moreover, the focus of audits would become increasingly concerned with results rather than process in keeping with the Mission statement to delegate responsibility to the lowest possible level.

We further made a decision to ensure that audit reports would relate to the Mission document to the greatest extent possible. By relating audit observations and recommendations to their impact on the attainment of the Mission, we felt that we would be in a position to best meet the needs of the client.

The staffing issue remained a concern, especially in light of the fact that the sector was understaffed by ten person-years. The option taken was to consider using the sector as a career development opportunity for staff with operational experience by offering them secondments as auditors. The advantages would result from increased credibility for the audit department, as a long-standing complaint had been that audit staff lacked the understanding of day-to-day operations in a correctional environment. Longer-term benefits would accrue when these seconded staff returned to their substantive positions, as it was felt that the experience would provide them with an increased appreciation for the benefits of audit.

Organizationally, the sector moved to a matrix structure from the former approach of specialist teams. Transition to this style was facilitated by the relatively small number of permanent audit staff and the special consideration given to both the individual preferences and background experience of staff seconded from operational units.

Life is not always perfect, however. One major problem relates to the shift of staff from one assignment to another. Any unscheduled delays can have a snowball effect on the start time of new assignments. A side effect is the creation of some tension between audit managers who view delays on one audit as contributing to delays in their own assignments.

Further, the lack of a standard methodology created problems in shifting from one team to another. In retrospect, it may have been preferable to have the methodology in place rather than to develop the methodology concurrently with the shift to the matrix. However, as the methodology started to take shape, these problems have gradually abated.

In a process-oriented environment, we would not have been allowed to undertake our new approach without having carefully planned and implemented new procedures and methods. It was our feeling, however, that internal audit had significant catching up to do, and that the introduction of the Mission had provided the opportunity to make a contribution quickly. We intuitively followed a results-based orientation, with procedures and methodology being developed in parallel. This process has not stopped and, in fact, cannot stop. There is not a month that goes by without some facet of our work and approach being modified, refined and, we hope, improved.

Certainly the changes that have been implemented could not have taken place without the support of senior management. Indeed, a revitalized Audit Committee has provided both support and

encouragement as well as a clear direction for our audit efforts and the changes that have taken place.

We have recognized that changes that take place must be directed toward meeting the needs of our clients, Correctional Service of Canada program managers. As we meet these needs, it is important that these managers not view auditors as "snoops" or mere penny counters, whose job is designed to make their lives miserable. They must also realize that auditors are not suddenly imbued with ESP or MENSA-like qualities when they join the Audit Sector. Rather, it is our hope that auditors will be viewed as professionals and co-workers whose job is to assist managers in identifying existing or potential problems through the application of professional methodology and research, and by discussing concerns openly with all staff.

*The concept of the "duty to act fairly" has numerous consequences in the day-to-day administration of penitentiaries. This article examines where this concept originated, precisely what it implies and what it is likely to imply in the future.*