

GUIDANCE

Committees and Relationships

Preparation for Hearings and
Frequently Asked Questions



CANADIAN AUDIT
& ACCOUNTABILITY
FOUNDATION

SUGGESTED APPROACHES FOR PUBLIC ACCOUNTS COMMITTEES TO PREPARE FOR A HEARING

Set a strategy. Successful inquiries, effective hearings and insightful reports usually depend on the PAC agreeing in advance about what it most wants to achieve from a hearing. Some possible objectives might be:

- 1 Getting agreement that there is (was) an important issue or problem, or exploring alternative causes;
- 2 Exploring the seriousness of the consequences of an issue or problem;
- 3 Exploring alternative ways of dealing with the issue or fixing the problem;
- 4 Getting acceptance of responsibility for taking action;
- 5 Discussing/exploring ways and means of improving the administration of a particular program or process;
- 6 Prompting the department or agency to take corrective action by having the PAC endorse the recommendations of the legislative auditor and/or issuing its own substantive recommendations; and
- 7 Monitoring the status of implementation of the legislative auditors' and/or PAC's recommendations.

If it is possible to reach some agreement or alignment of interests on one or more of these objectives in advance, then the committee can co-ordinate its questioning and probe related subjects in more depth.

Obtain an up-to-date status report. It is especially important to ask for a status report on the legislative auditor's recommendations, the departmental performance report, and other relevant documents in advance, so they can be summarized for the PAC by committee staff or the legislative auditor's staff.

This reduces the chances of incomplete information at a public hearing, especially if the PAC's inquiry is based on recommendations from the legislative auditor and considerable time has elapsed since the original audit work was completed. It would be preferable to know in advance if the recommendations have been implemented already, or if for some reason the recommendation is no longer relevant.

Ask for a staff briefing. Once the PAC has set a strategy and the auditee has provided an up-to-date progress report, the committee's staff can help by preparing relevant questions, or arranging in-camera briefings from the legislative auditor or other experts. In some cases, it is the PAC researchers who conduct the briefings. PAC members can bring their greater familiarity with the needs of the public to the inquiry, but witnesses will often have more detailed knowledge of the subject being discussed. Because committee members cannot be expected to have expert knowledge of each government program examined by the committee, the advanced briefings can help bring members up to speed on major issues in the audit prior to the hearing. A briefing provides an opportunity for staff to summarize the main issues and suggest approaches, and for each member to decide what lines of questioning they are particularly interested in pursuing.

SUGGESTED APPROACH FOR PUBLIC ACCOUNTS COMMITTEES TO ASK QUESTIONS DURING A HEARING

Stay within the scope of the committee's inquiry. Try to avoid extraneous subjects even if they are of interest to your constituency. Do not ask for an opinion on the future policy direction of the government or about current discussions or decisions of Cabinet. Be careful about probing into personal matters that invade the privacy of the witness.

Private, secret or sensitive testimony. It is good practice (and sometimes a requirement) for witnesses to be informed, prior to giving evidence, that they have the right to be heard in private or secret. According to the accompanying CCAF Guide for Witnesses:

... [B]ecause the committee operates in a public forum, witnesses are subject to the provisions of freedom of information and privacy legislation. Thus witnesses may be allowed to testify in-camera (i.e. in private) when dealing with sensitive personal, commercial or confidential information.

Look out for jargon and bafflegab. Try to learn the common abbreviations in advance. If an explanation does not make sense to you, ask the witness to provide written evidence, or ask if anyone else can corroborate the explanation.

Be aware of delaying tactics. Don't accept the use of your valuable question time for detailed background or explanations. Ask why this information is necessary, and state your preference to have such information provided in advance.

Be persistent. Most witnesses prepare answers in advance for the most important and the most likely questions. If this does not give the information you need, ask supplementary questions. Probe subjects in depth. Ensure witnesses don't provide vague answers. On important matters, if witnesses don't have the answers in hand, seek a commitment from them to get the information and report back or write to the committee.

Be specific. Ask the witness: what have you done to solve the problem? How will you know it won't happen again? Seek a commitment of specific resources.

GENERIC EXAMPLE

Common Subjects and Frequently Asked Questions for Senior Government Officials at the Public Accounts Committee

The following generic example of common subjects and frequently asked questions makes assumptions about the mandate and powers of a generic Public Accounts Committee (PAC) that may not be appropriate to every circumstance. PACs are encouraged to use it as a reference point, bearing in mind these are only suggestions that must be reviewed for consistency with particular legislative requirements and with the preferences and practices of each jurisdiction. This example is based in part on the document that was prepared by the Auditor General of Alberta for the Alberta PAC. It has been modified in 2010 to incorporate the experiences of other Canadian PACs. We thank all PACs for their co-operation in providing examples of reference documents to us.

Public Accounts¹:

A key input for the PAC is the public accounts (financial statements). The tabling of this basic accountability document enables the committee to explore any particular expenditure or revenue item in the accounts, whether it is the subject of a report by the legislative auditor or not. But, perhaps more importantly, it provides an opportunity to review the auditor's opinion on the accounts, and the overall financial management of the government, as well as any plans for improving it.

Potential Questions:

- 1 Are there any concerns the auditor has about the public accounts, such as unusual transactions and unusual accounting policies? If the accounts are qualified, what was done to avoid the qualification and what will be done to avoid it in future years?
- 2 What is the treatment of certain types of transactions like transfer payments, write-offs or contingencies?
- 3 What is the timeliness of government financial reporting, compared to large corporations?
- 4 Are there any weaknesses in government financial information systems and any plans for improving them?
- 5 What is the state of the comptrollership function?
- 6 What is the valuation of assets and liabilities?
- 7 Is there testing for compliance with the main legislative authorities?
- 8 Are there any significant exclusions from the accounts?
- 9 What proportion of the budget is discretionary?

¹ See also questions later on the annual departmental performance reports

Performance / Value-for-Money Audits

A key input to the PAC is the reports of the legislative auditor, which often contain performance/value-for-money audits. The key fundamental performance criterion for the administration of government programs is whether the programs are cost-effective; that is, whether the value to the beneficiaries of the programs is worth the resources spent. Management seeks to achieve maximum value for taxpayers' money by designing and implementing systems to ensure the economic and efficient use of resources in the attainment of desired results. Management should know the costs of their programs and their expected and actual results.

Potential Questions:

- 1 Do your key managers have performance goals? How often do you meet to review them? Do your review meetings include discussion of the results and impacts of your programs?
- 2 How do you know whether you are delivering programs economically and efficiently?
- 3 Do you have service delivery standards, and systems for tracking them?
- 4 Do you have systems that tell you the cost of your program outputs?
- 5 How do you know whether your programs are effective; that is, achieving the objectives in legislation and the goals in your business plan?
- 6 How do you know that your staff are not cutting service levels or reducing the quality of service to save money?
- 7 Which of your core businesses offers the best opportunity for improved value-for-money?

Recommendations of the Legislative Auditor and/or PAC

The legislative auditors' performance/value-for-money audit reports usually contain recommendations to which the government is expected to respond.

PAC questions around the government's response to recommendations can help identify realistic timelines for implementation of those recommendations and clarify the challenges around their implementation. Many PACs also issue their own substantive recommendations. PACs can assess the responses for clarity and request clarifications from auditees where necessary.

Potential Questions:

- 1** If certain recommendations have not been accepted: why not? Please explain. [May require views from the auditee, auditor, and any public groups affected]
- 2** If certain recommendations are under study: what are the issues being studied? What is needed to make a decision and when will the information be available? [Seek a commitment]
- 3** For recommendations that are accepted: what is the date by which you expect to complete implementation? Are you on track? How do you know? If you are not on track, what are you doing about it? How can we (you) be sure that there will be no (further) delays?
- 4** What problems could arise and cause delays in implementation, and is there a risk analysis as part of the implementation plan? If there is no implementation plan with a timetable, when will one be set?
- 5** What will be (or have been) the consequences of delays in implementation?
- 6** What will be the cost of implementing specific recommendations, and is the staff in place to do the work?
- 7** Would you have done anything differently if the auditor had not made this recommendation?

During a PAC hearing, particularly where there are concerns that information has not been forthcoming from auditees, PACs can ask the auditee to submit an updated action plan or status report within a set period of time (i.e. three months). The committee could ask the auditee to appear back within a set period of time (i.e. six months) to provide an update on the implementation of recommendations.

Annual Departmental Performance Reports

On occasion, some PACs will examine the annual reports that departments and agencies prepare describing actual performance compared to plans and budgets approved by the legislature. These could be part of a review by the PAC of the quality of accountability reporting by the government, be reviewed in tandem with the report of the legislative auditor, or a review of the public accounts. Even if the annual departmental performance report is not the direct subject of an inquiry, it provides essential background and context to any issue relating to a department or agency.

Potential Questions:

- 1** Is your performance information reliable, relevant and understandable with special emphasis on a few key aspects of performance? How do you know?
- 2** How does your performance compare with similar organizations?
- 3** Were there any significant variances in performance in the past year? If so, what did you do to address them?

- 4 Is there a relationship between performance variances and financial variances? If not, what determines the need for funds?
- 5 If the PAC is examining an issue from the legislative auditor's report, does this issue have an effect on your overall departmental or agency performance goals? If so, can you commit now to making an improvement in your performance next year?

OTHER ISSUES RELATED TO PERFORMANCE/GOVERNANCE

Ethical Standards

The government is accountable for the means it uses to accomplish its goals. This requires a comprehensive Code of Ethics and Conduct that is enforced rigorously. Deputy Ministers are responsible for ensuring general ethical standards are enforced and that more specific requirements are introduced if necessary to suit the particular situation in each department and agency. They are also obliged to set an example at the top of the organization (referred to as "tone at the top").

Potential Questions:

- 1 What steps do you take to ensure that all employees follow the Code of Ethics? How do you know these standards are working?
- 2 Have you established policies to ensure ethical behaviour, in addition to the Code (such as a statement disclosing personal financial interests)? If so, what are they; and if not, why not?
- 3 What steps do senior managers take to demonstrate leadership in this area?
- 4 How do you know your contractors are also following an appropriate ethical standard?

Risk Management

An important management task is the identification and assessment of risks, and the preparation of contingency plans for dealing with them. Risks are anything that affects the achievement of goals.

Potential Questions:

- 1 Have you established a formal risk management process? If not, why not?
- 2 What are your risk categories and the principal risks within each category?
- 3 No risk can be completely eliminated, so management must establish a tolerance level. What is the risk tolerance you have established for the principal risks?
- 4 What steps have you taken to mitigate your main risks, and how do you know your strategy is working?

Internal Control

Management is accountable for ensuring that an effective internal control system exists and is being complied with. Systems include those for safeguarding assets; ensuring transactions are properly authorized; ensuring proper personnel practices are followed; ensuring legislation and policies are followed; and ensuring value-for-money is achieved. Management is also responsible for ensuring public servants know the rules; that rules are up-to-date; and that rules are changed when they become obsolete rather than left around to confuse and clutter up manuals and other guidance documents.

Potential Questions:

- 1 What is your opinion on the effectiveness of your internal control systems, and how do you know they are working well?
- 2 Have your systems been subjected to external reviews? If so, what recommendations resulted, and what action have you taken to implement them?
- 3 Do you have an internal auditing function reporting to you, the senior manager? If not, why not? What action has been taken on their recommendations?
- 4 How do you know the management information you receive is accurate?
- 5 Has your department or agency identified any good practices within its systems? Have you shared these with other ministries?

Human Resource Management

People are almost always a crucial input to government programs, and so management effectiveness is extremely important, especially at a time when many organizations are undergoing major renewal.

Potential Questions:

- 1 Does your department or agency have a performance assessment process? Is it related to your department or agency's performance goals?
- 2 What percentage of your staff gets performance bonuses? What percentage gets unsatisfactory ratings?
- 3 Does your department or agency have a succession plan and strategy? If not, why not?