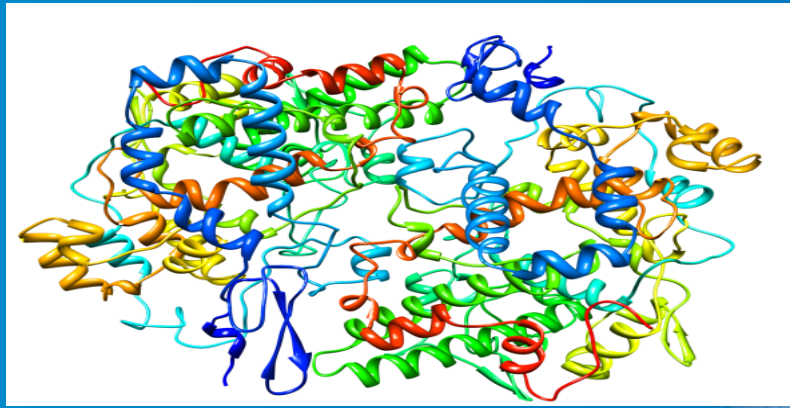
Internal Audit & Results Based Management: Creating Synergies for a Complex World



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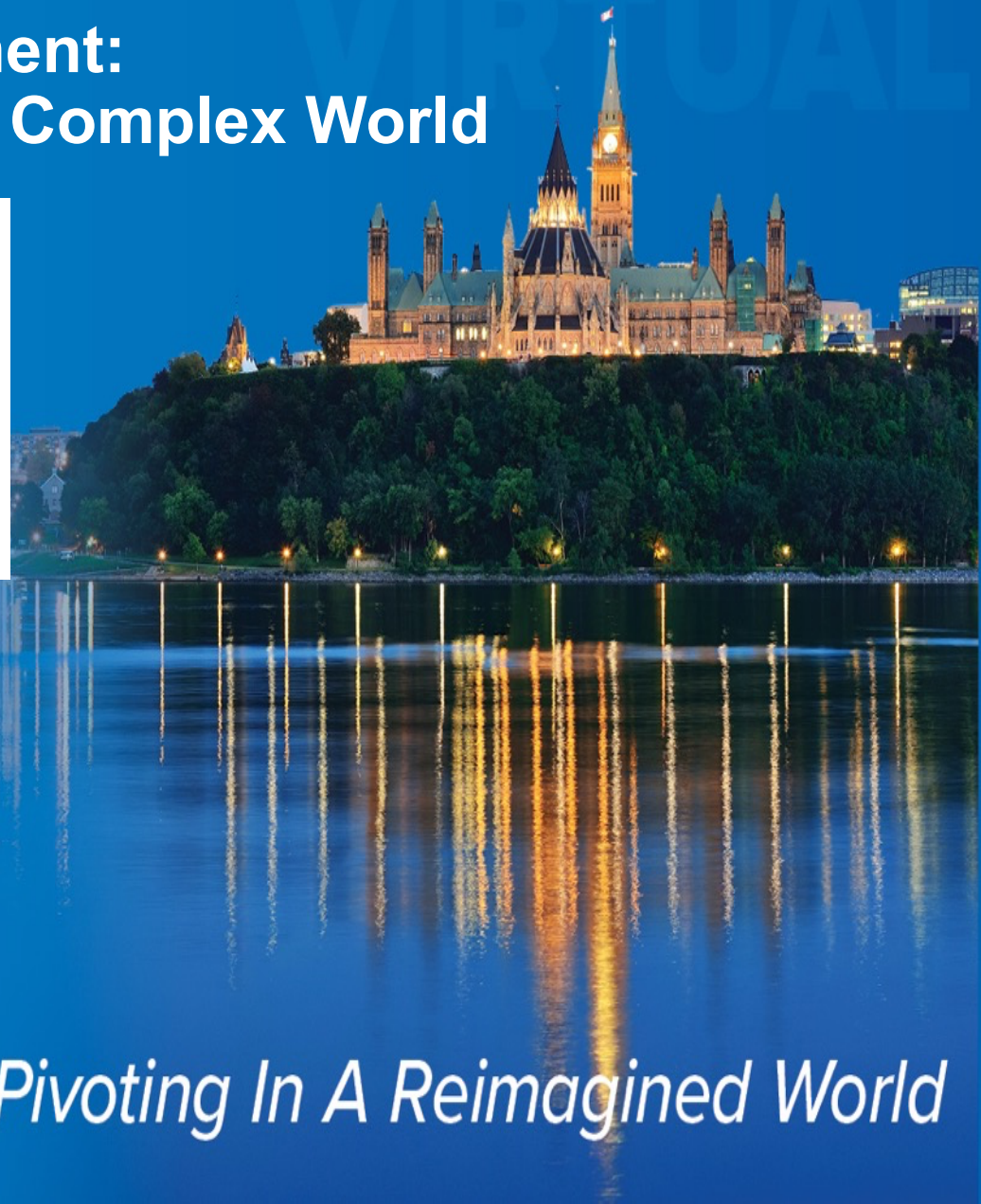


IA CANADA

NATIONAL CONFERENCE
CONFÉRENCE NATIONALE

September 20-23, 2021

Pivoting In A Reimagined World

Internal auditors are of course concerned with whether things are done right (economy and efficiency). But above all they must be concerned with whether the right things are being done.

Lawrence Sawyer The Practice of Modern Internal Auditing 1983

Key Ideas

Results Based Management (RBM)

Definition from RBM lexicon: Results-based Management - A comprehensive, lifecycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making and drive change. The approach focuses on getting the right design early in a process, focusing on outcomes, implementing performance measurement, learning and changing, and reporting performance.

RBM ≅ Managing for Results (TB-OAG 2003)

Audit

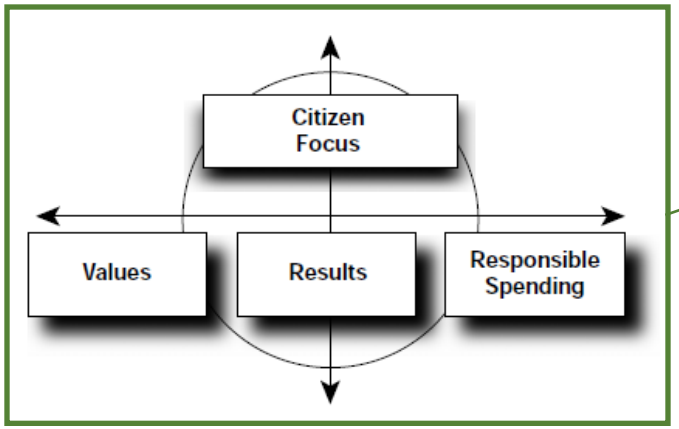
- Internal
- Operational
- Performance

- *Logically these should connect*

The Reasons for Doing Results-based Management, Performance Planning, Measurement and Evaluation:

Contrasting yet Complementary World Views and Paradigms

Setting The Context - The Results Journey….How Did We Get Here?



Deliverology (2016)

Next ?

Policy on Results (2016)

Strategic Reviews (2007)

***Federal Accountability Act* (2006)**

Management, Resources, and Results Structure (2005)

***Public Service Modernization Act* (2003)**

Management Accountability Framework (2003)

***Results for Canadians* (2001)**

Modern Comptrollership Initiative (1998)

Program Review II (1998)

Planning, Reporting and Accountability Structure (1997)

1st RPP and DRP (1997)

La Relève (1997)

Financial Information Strategy (1996)

Expenditure Management System (1995)

Program Review I (1995)

Improved Reporting to Parliament initiative (1994)

***Public Service Reform Act* (1991)**

Public Service 2000 (1989)

Program Evaluation (1981)

D'Avignon Committee Report (1979)

Lambert Report (1979)

Operational Performance Measurement System (1974)

Planning Programming Budgetary System (1970)

Glassco Reports (1962–64)

Source: Public Health Agency of Canada + PPX Board Member – Joe Faragone (2018) – *used with permission*

http://publications.gc.ca/site/eng/244385/publication.html

Government of Canada | Gouvernement du Canada

The Managing for Results Self-Assessment Tool

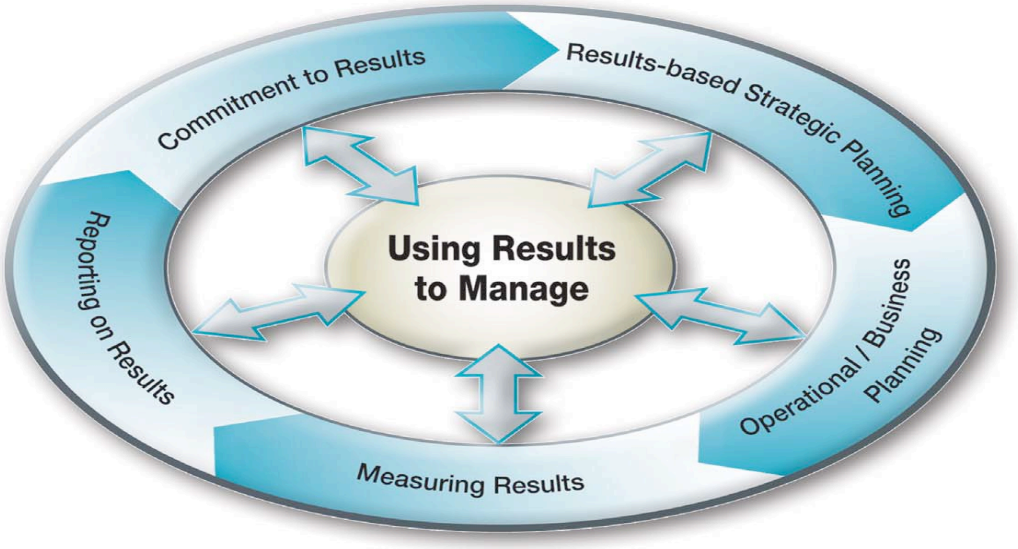
First rating tool of its kind jointly signed off by the TBS + the OAG

Accompanied Results For Canadians agenda

6 related areas centered on *using* results to manage

Categories emulated by the UN JIU in 2017 for its major RBM review

Shows RBM (MFR) as integrated – ahead of its time



Canada

Managing For Results Ratings Rubric – Overall

	Stage 1 Awareness	Stage 2 Exploration	Stage 3 Transition	Stage 4 Full implementation	Stage 5 Continuous learning
Pivotal characteristic: Using results to manage					
Use of results information in managing	• Activity and output information used by managers in a <u>few</u> programs to modify operations. • Outcomes play a limited role in decision making. • Limited dialogue on public service values and ethics used in delivery.	• Activity and output information used in <u>some</u> programs to modify operations. • Outcome information considered in a few management decisions on modifying operations, re-allocating resources, and revising strategies and policies. • Public Service values understood and linked to the achievement of results.	• Activity and output information used <u>frequently</u> to modify program operations. Some information on outcomes and the capacity to continue delivering them is analyzed and used in decisions of corporate and line management on modifying operations, re-allocating resources, and revising strategies and policies.	• Information on outcomes and the capacity to continue delivering them (as well as the means used to achieve them[a]) is <u>frequently</u> analyzed and used in decision making on modifying operations, re-allocating resources, and revising strategies and policies.	• Performance information[b] on outcomes is <u>routinely</u> and consistently analyzed and used (as a matter of course) for decisions throughout the organization on modifying operations, re-allocating resources, and revising strategies and policies. • The type of outcome and related performance information being gathered is reviewed for usefulness and adjusted.

Possible indicators

The extent to which evidence and analysis of outcome results are used to support planning, design, delivery and resource allocation decisions.

Notes

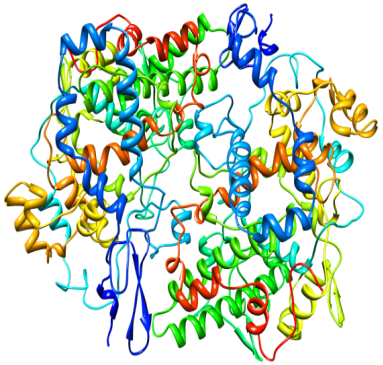
a "Means" used to deliver results include Public Service values and ethics, propriety, stewardship and treating people fairly.

b "Performance information," in addition to results, includes the means used to deliver results and information on the capacity (in terms of people and assets) to continue delivering the results.

…But Things have Changed (accelerated by the pandemic)

VUCA World

- Volatile
- Uncertain
- Complex
- Ambiguous



How does this effect

- Management Thinking ?
- Review functions ?
- Audit (Review) programs ?
- Monitoring + assessment ?

We need to explore some ideas related to complexity + some needed '**pivots**' as per the Conference theme.

Pivot from rules to principles (D. Finegood 2021)

Rules	Principles
Instructions	Guidelines
Procedural (how)	Declarative (what)
One size fits all	Adaptable to individuals and their context
Many may be required	Less is more
Constraining	Empowering
Compliance	Commitment
Works when trust is low	Builds culture of trust
Enforcement	Support

Pivot to emphasize learning more than accountability (D. Finegood 2021)

Accountability	Learning
Emphasizes targets	Emphasizes continuous improvement
Independent assessment	Self-assessment and participation
Attribution	Improvement
Risk avoidance (aversion)	Encourages risk-taking and experimentation
Who is at fault	What is the problem
Reinforces hierarchy	Distributes decision-making

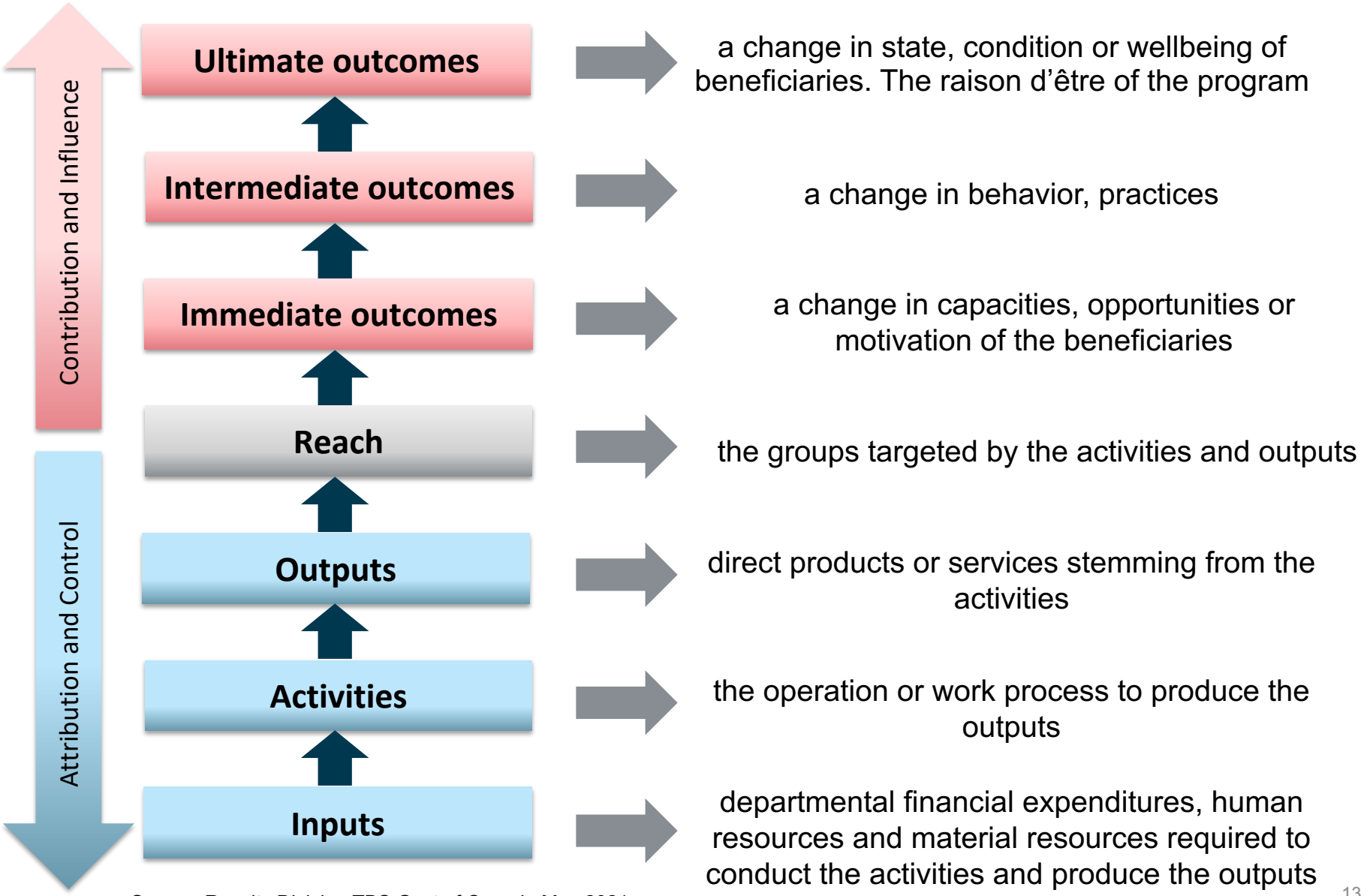
Pivot from focusing on the transactional to the relational (Finegood 2021)

Transactional	Relational
Conducting business	Building relationships
Buying and selling	Recognize and value interconnectedness
Contractual, negotiable, debatable	Dependent, mutual, in relation to others
Optimized to get you the most for the least	Engaged, centered, grounded, clear, generous, humble and kind
Transferable, convertible, up for grabs	Proximate, concomitant, complimentary
Requires resources	Requires time
Debate	Dialogue

Review Function Implications

- Broaden the perspective
- Embrace systems thinking elements
- Integrate audit, measurement and evaluation thinking + where possible - processes
- Real time conduct of studies following a results logic
- Some flexibility in conduct and reporting

The logic model – A key document for results tracking



Source: Results Division TBS Govt of Canada May 2021

Logic model for the TBS Access to Information and Privacy Office

Evaluation

Evaluation questions

What are the organizational norms on privacy?

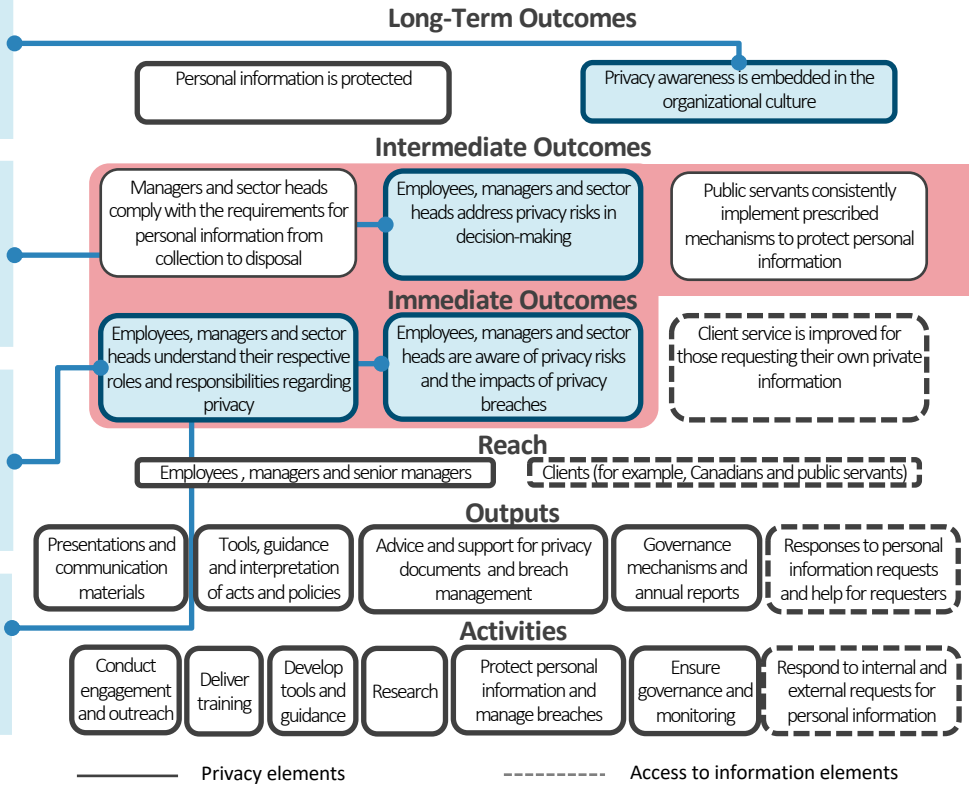
What are the various approaches to the privacy protocols being applied in TBS?

What is the organizational norm in approaching decisions?

What are nudges that would effectively improve privacy practices behaviour?

How aware are employees of their privacy breach obligations?

How aware are employees of the privacy requirements for collecting personal information?



Audit

Audit criteria

A privacy management framework has been developed and implemented.

Roles, responsibilities and accountabilities are defined, documented and understood.

The department has appropriate resources and succession planning to manage the current and evolving privacy activities.

The department has an effective training and awareness program to support privacy practices.

The department has an effective privacy impact assessment process in place to identify, assess and mitigate the privacy risks associated with activities that use personal information.

The department has an effective privacy breach management process to identify, assess and mitigate breaches.

The department has developed and implemented tools to support decision-making related to privacy.

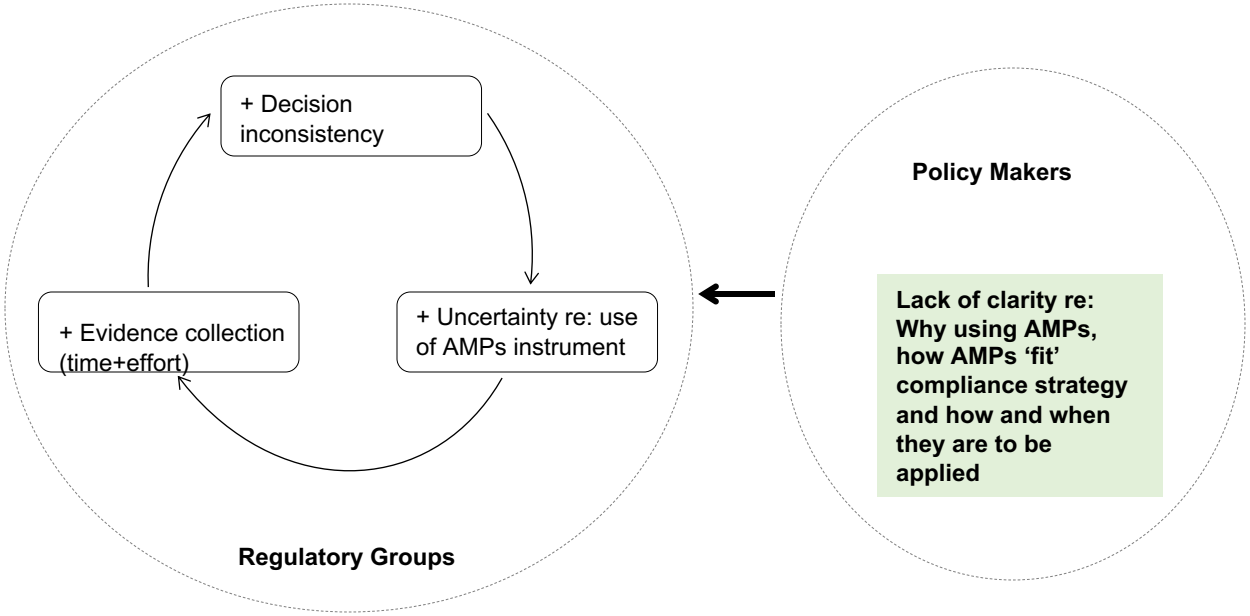
[Joint Audit and Evaluation of Privacy Practices at Treasury Board of Canada Secretariat - Canada.ca]

Shared with permission from TBS: N. Lalonde + E. Petrus

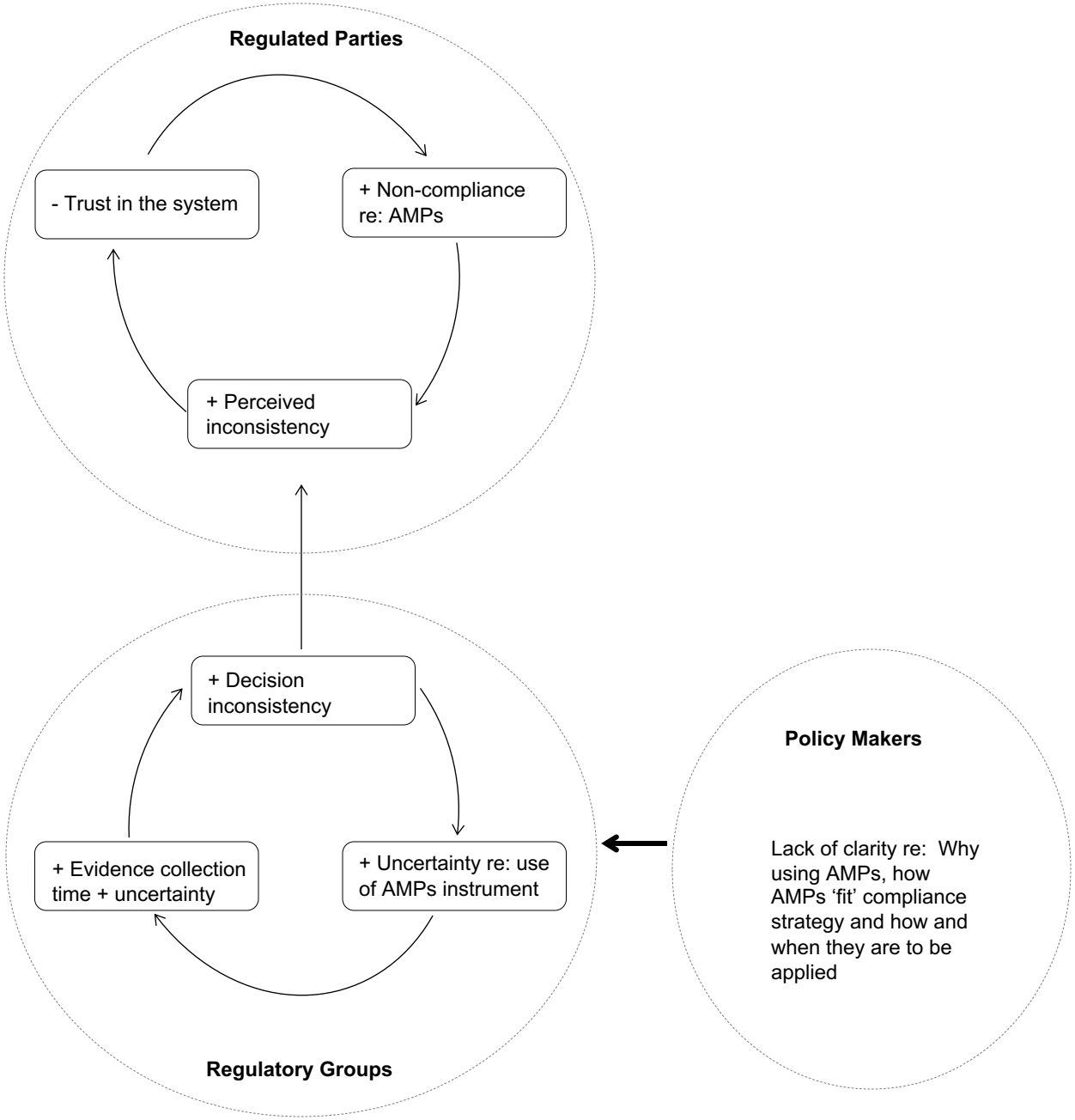
Monitoring + Assessment Implications

- Follow policy/program/initiative life cycle (real time orientation)
- Consider influencing factors across stages, processes and actors
- Include the perspectives of system actors
- Measure reach, engagement and relational factors early + often over time
- Be cognizant of emergent outcomes
- Emphasize learning (hold people accountable *for* learning?)
- Look for connected systems findings
  - Virtuous + vicious circles or loops
  - Action – reaction chains and perverse effects
  - Systemic and reinforcing biases
  - Patterns of variance in different conditions

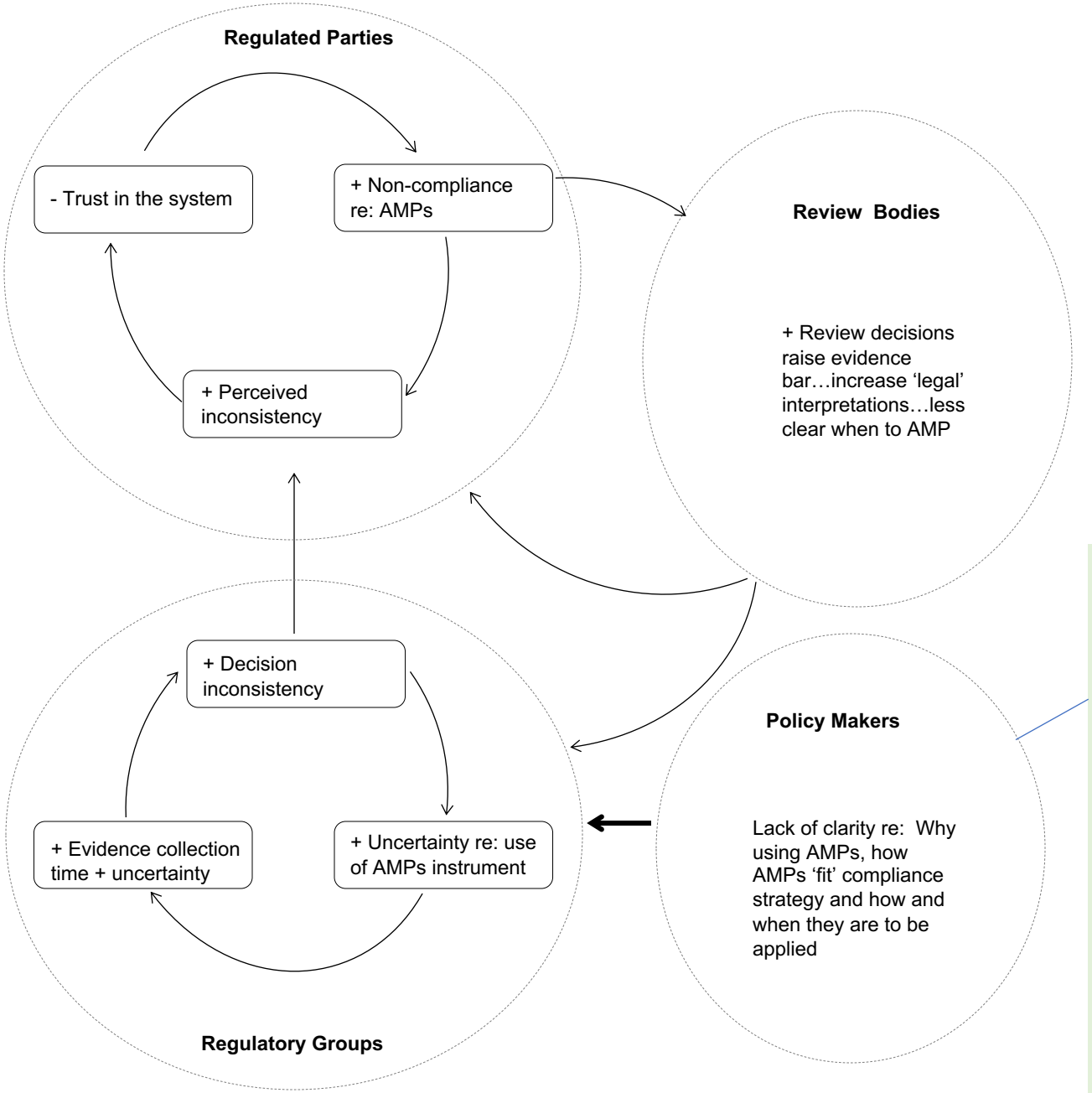
A Potential Vicious Circle re: Administrative Monetary Penalties Use



One Vicious Circle Leads to Another in a *related* set of actors…



A Set of Related Vicious Circles re: Administrative Monetary Penalties Use



Lack of clarity in how AMPs fit a compliance strategy triggers vicious circles of reduced effectiveness

Audit Program Implications

- Context is key
- Descriptive as well as normative orientation
- Range of complementary lines of evidence
- Some flexibility to recognize variances as ‘work arounds’ which may still support key principles + values
- Catch people doing things right – despite system issues
- Use some collective learning approaches as appropriate
- Real time conduct of studies following an integrated systems logic
- Create some flexibility in review processes and reporting

Summary – Time to Pivot to:

- *Recognize* complexity + systems
- *Support* adaptive management needs
- *Focus* on learning and improvement *where possible*
- *Integrate* a broader set of disciplines into internal audit approaches

Internal auditors serve not just the eyes and ears of management, but its outlook and dreams as well.

Lawrence Sawyer The Practice of Modern Internal Auditing 1983

Questions / Assessment / Reflection

Clarifications?

Impressions? Do you see some pivot potential?

Comments / Reflections