



(EXTRACT from Auditor General's Annual Report of 1978)

October 13, 1978

Mr. J.J. Macdonell,
Auditor General of Canada,
240 Sparks Street,
Ottawa, Ontario.
K1A 0G6

Dear Mr. Macdonell:

I would like to summarize, for publication in your 1978 Report to Parliament, my formal response to the information which you have imparted to my senior officials and myself concerning your forthcoming audit findings and observations.

Primarily, our discussions have centered on the opinions which you have formed as a direct result of the "Study of Procedures in Cost Effectiveness" (SPICE), which your Office conducted over the past two years in Departments and Agencies of the federal public service. There have also been discussions of your views on the future quality and coverage of the internal audit function in Departments and Agencies.

In view of the likely significance of your observations to Parliament, I welcome this opportunity to outline some of the major initiatives relevant to your findings which have already been taken by both the Treasury Board Secretariat and the new Office of the Comptroller General.

With the full support and approval of the Treasury Board Ministers the Comptroller General, in close cooperation with the heads of major Departments and Agencies, has commenced a comprehensive review of their financial administrative and control activities. The twenty Departments which have been selected for the initial review, utilize the major portion (70%) of current budgetary expenditures. The second phase of this review will cover the balance of the organizations which form the Government of Canada's accounting entity.

The scope of this review has been extended to include the operational planning and control activities which I know you agree are so basic to the exercise of good financial control. In this connection, a careful examination will be made of the extent and quality of performance measurement and program evaluation activities carried out by Departments and Agencies in response to Treasury Board directives and guidelines issued in 1976 and 1977.