12.13 In response, the Treasury Board initiated a review of financial audit activities in government departments and the Office of the Comptroller General recently issued a booklet entitled Standards for Internal Financial Audit in the Government of Canada which substantially expands on the direction given in the Board's Guide on Financial Administration.

Purpose of Current Review

12.14 Our 1977 Report announced that the Audit Office would be undertaking a review to assess whether the Government gets value for money in the whole area of auditing within the federal structure. Our interest is twofold:

- To co-ordinate the activities of this Office fully with those of other auditors in the Federal Government, it is necessary to review the scope and quality of their work and to determine the extent to which this work can be relied on, thereby avoiding unnecessary duplication.

- To report significant instances where expenditures are not made with due regard to economy and efficiency and where satisfactory procedures are not in place to measure and report on the effectiveness of government programs, this Office must review internal auditing which is one such procedure. For this reason we reviewed not only the work of groups involved in internal financial audit, but also of those performing a much broader range of auditing, commonly referred to as "operational audits", "management audits" or "cost effective audits".

12.15 Our review began with extensive research into current internal audit practices in both the private and public sectors and was followed by pilot studies in selected departments. The complete review encompassed the auditing activities in 35 government departments and agencies.

Need for Integration of Departmental Audits

12.16 Partly as a result of the varying directions received from the Treasury Board, many departments at the time of our study had several groups involved in unco-ordinated audit activities.

12.17 **Financial audits.** Some departments separate the financial audit from other audits, often placing it under the senior officer responsible for financial administration. Such units are useful in ensuring that financial rules are followed, but they lack, or are perceived to lack, the independence to question the appropriateness of the financial rules themselves, let alone how financial controls