

TWO SIDES OF THE SAME COIN

CICA's
GUIDANCE ON CONTROL
AND

CCAF's
EFFECTIVENESS REPORTING
FRAMEWORK

MAY

1996



Chartered
Accountants
of Canada

Comptables
agrés
du Canada



This document has been jointly developed by Jean-Pierre Boisclair, FCA,CMC,

President, CCAF-FCVI and Peter D. Jackson, CA, Director,

Criteria of Control of the Canadian Institute of Chartered Accountants.

It will be of interest to all those who are interested in the concepts of

information, reporting on performance and *control*, how they are linked,

and how they work together in support of effective governance

and organizational performance.

Both the CICA and CCAF are committed to learning from the experience of users of their materials. Please address any feedback to either or both of the following:

PETER D. JACKSON, CA
Director, Criteria of Control, The Canadian Institute of Chartered Accountants
277 Wellington Street West, Toronto, Ontario M5V 3H2
email peter.jackson@cica.ca

JEAN-PIERRE BOISCLAIR, FCA, CMC
President, CCAF-FCVI Inc.
55 Murray Street, 2nd Floor, Ottawa, Ontario K1N 5M3

Authors J-P. Boisclair and Peter Jackson acknowledge the assistance of William A Bradshaw, FCA in the development of this document. Bill was a member of the first Board of Governors of CCAF and served for many years on its Research Committee. He undertook a research project on behalf of the Independent Panel that produced *Effectiveness Reporting and Auditing in the Public Sector*.

When Bill was Auditing Standards Director, on secondment to The Canadian Institute of Chartered Accountants, he initiated work on the criteria of control project. For the past three years he has consulted to the Criteria of Control Board and the Directors Advisory Group.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
THE PUBLICATIONS AT ISSUE	2
GOVERNANCE—THE NEXUS OF INFORMATION AND CONTROL	3
CREATING A PICTURE	4
HISTORICAL DEVELOPMENTS—CCAF AND EFFECTIVENESS REPORTING	5
HISTORICAL DEVELOPMENTS—CICA AND CRITERIA OF CONTROL	6
COMPARISON OF THE TWO FRAMEWORKS	8
RELATED CCAF AND CICA GOVERNANCE INITIATIVES	9
CONCLUSION	11
APPENDICES	12
APPENDIX 1—CCAF FRAMEWORK OF TWELVE ATTRIBUTES	12
APPENDIX 2—CICA CONTROL FRAMEWORK	13

EXECUTIVE SUMMARY

CCAF-FCVI has published its ‘twelve attributes of effectiveness’ in *Effectiveness Reporting and Auditing in the Public Sector*. The Canadian Institute of Chartered Accountants (CICA) has published its ‘twenty criteria of control’ in *Guidance on Control*. How do these two frameworks relate to each other? Which should be used when?

This paper provides a basis for answering these questions by describing the historical background to the two initiatives, and how they complement each other. It acknowledges that some practitioners may want to draw on both sources in developing a framework for purposes of a particular organization or a particular assignment, and asks for feedback on how this is done in practice.

The paper also describes the related CCAF and CICA initiatives addressing corporate governance.

THE PUBLICATIONS AT ISSUE

In 1987, CCAF published *Effectiveness Reporting and Auditing in the Public Sector*. The study concluded that there were twelve attributes that, taken together, provide a comprehensive view of an organization’s effectiveness or performance.¹ It proposed that management be responsible for providing information on these attributes to their governing bodies, and that auditors lend credibility to these representations by attesting to their fairness.

In 1994, the CCAF produced a video-documentation package, *In Search of Effective Governance*. It featured leading members of governing bodies, executives, academics, regulators and auditors. The package put forward a set of six characteristics of effective governance, linking certain of these characteristics to the issue of governance information—again, putting a focus on the framework of twelve attributes of effectiveness. In 1996, the Foundation released a second video-documentation package, *Governance Information: Strategies for Success*. It provides practical guidance to governing bodies in helping them to assess and advance their capacity to obtain the information they need to discharge their responsibilities.

In November 1995, The Canadian Institute of Chartered Accountants (CICA) published *Guidance on Control*. It defines control broadly as “those elements of an organization (including its resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of the organization’s objectives.” Assessing control is therefore tantamount to assessing how the organization is managed. The publication sets out twenty criteria of control for making such assessments.²

CCAF-FCVI HAS PUBLISHED
ITS ‘TWELVE ATTRIBUTES OF
EFFECTIVENESS’ IN
EFFECTIVENESS REPORTING
AND AUDITING IN THE PUBLIC
SECTOR. THE CANADIAN
INSTITUTE OF CHARTERED
ACCOUNTANTS (CICA) HAS
PUBLISHED ITS ‘TWENTY
CRITERIA OF CONTROL’ IN
GUIDANCE ON CONTROL.
HOW DO THESE TWO
FRAMEWORKS RELATE TO
EACH OTHER?

¹ See Appendix 1 for a description of CCAF’s performance reporting framework of 12 attributes

² See Appendix 2 for a description of CICA’s control framework

In December 1995, the CICA published *Guidance for Directors—Governance processes for control*. It sets out what directors can do to meet their responsibilities. Among other things, it describes what information directors should have from management about the effectiveness of management control (using the twenty criteria of control), and what the board needs to address in assessing its own effectiveness in this respect.

When *Guidance on Control* was issued in draft form for comment, one respondent listed the CCAF’s 12 attributes of effectiveness and went on: “Although these attributes do not mention the control aspect specifically, the intent of a significant amount of the material is similar. Therefore, there is a great deal of interest in the amount of co-ordination and cooperation that has occurred between the two bodies—CICA and CCAF—and the possible duplication of the two similar methodologies.”

THE NEXUS OF INFORMATION AND CONTROL GOVERNANCE

To deal with this question of how these two frameworks are related, we need to step back from both and examine the context within which they are expected to operate and the purposes they are designed to serve.

Contemporary public and private sector organizations operate within the context of many constituencies with diverse interests: clients and customers, those who work within the organization, other organizations in their external environment, and society at large. Moreover, in the last several years, we have seen fundamental transformations of organizations in both sectors caused by such factors as globalization, downsizing, and re-engineering. Dealing with such factors, as governing bodies and their managements must, entails greater risk, often controversy, and certainly important financial and human consequences.

Within such currents, the challenge for any governing body is to steer a course that achieves an effective balance in holding management to account, exercising stewardship, enhancing value, and ensuring public and shareholder confidence.

It’s never been harder, nor more important! When a board understands what it needs to know, ensures that it gets the information it needs and then takes appropriate action on this information, it can be said to be in effective control. When it does not, it fails the essential test of due diligence.

Determining how to deal with these matters is not an easy task for a governing body. Board members must first develop a collective sense of their responsibilities, whose interests they represent, and the goals and strategies of their institution. It may seem obvious that those who steer should know where they want to go. However, in practice, organizational complexity, competing priorities and individual perspectives pose formidable challenges to creating a common sense of direction.

That is why common frameworks and common vocabularies are helpful. They provide a

...THE CHALLENGE FOR ANY
GOVERNING BODY IS TO STEER
A COURSE THAT ACHIEVES AN
EFFECTIVE BALANCE IN
HOLDING MANAGEMENT TO
ACCOUNT, EXERCISING
STEWARDSHIP, ENHANCING
VALUE, AND ENSURING PUBLIC
AND SHAREHOLDER
CONFIDENCE.

common language and perspective to bridge and connect the interests of the various parties and stakeholders involved. Effective accountability and control start with the governing body, extend to management, and affect the professional advisors who serve their interests.

It is within this context of governance that CCAF's framework for effectiveness reporting and CICA's framework of criteria of control have significance. They can be used to paint a useful picture of the organization.

CREATING A PICTURE

*IT IS WITHIN THIS CONTEXT
OF GOVERNANCE THAT CCAF'S
FRAMEWORK FOR
EFFECTIVENESS REPORTING
AND CICA'S FRAMEWORK OF
CRITERIA OF CONTROL HAVE
SIGNIFICANCE. THEY CAN BE
USED TO PAINT A USEFUL
PICTURE OF THE
ORGANIZATION.*

The two frameworks, and indeed many other frameworks, can be thought of as artists' palettes. One palette has twelve colours, the other twenty. The artists' challenge—the challenge of boards, management and their professional advisors—is to paint a picture that focuses on what is important to users, that keeps things in perspective, and that is sensitive to 'shades of grey'.

One of the unique features of the CCAF and CICA palettes is that there is no one pre-set or universal arrangement of colours that is intended. Flexibility is allowed and creativity is required. There is nothing magical about the twelve attributes or the twenty criteria in themselves—they are not a paint-by-numbers kit—but skilled use of them can produce paintings that seem almost magical. Everyone knows that a depiction of an organization's effectiveness or control is only partial, one of many possible views, but at the same time a skilled rendering has a gestalt or wholeness about it.

It is this wholeness or internal consistency that lends credibility and value to the painting. Does the stream flow from lower to higher ground, or are there signs of unexplained turbulence? Are the shadows where one would expect, given the position of the sun? Are there apples lying under the arching elm tree?

To create a credible and valuable picture, the board, management and their professional advisors need four things above all else:

1. An understanding of the framework they are using, how its pieces interrelate, and its limitations.
2. An appreciation of the subtleties of organizational life, and an in-depth knowledge of the particular organization that is being painted.
3. A clear idea of who the viewers are likely to be, their needs and expectations. Will they be satisfied after gaining an overall impression, or will they want to explore the details of some of the smaller pictures within the larger picture?
4. Sensitive perceptual and conceptual skills, and an awareness of their own biases and blind spots. Where there are several people working on the picture, they must be coordinated in some way—perhaps by a master artist who signs off on the final report or painting.

HISTORICAL DEVELOPMENTS

CCAF AND EFFECTIVENESS REPORTING

CCAF's Board of Governors had long recognized that effectiveness was a central concern in all parts of the public service. Its decision to undertake its effectiveness initiative received special impetus from the enactment in 1984 of legislation to improve the direction, control and accountability of federal Crown corporations. The Board recognized that research on this subject would likely constitute the most substantial challenge that CCAF had faced since its creation in 1980. The findings would almost certainly have fundamental implications for politicians, members of boards and public service managers, as well as for auditors. Neither was the potential application of these ideas to the private sector underestimated. It took the Independent Panel appointed by the Board of Governors eighteen months to complete the study.

The Panel concluded that—“Effectiveness is a complex concept, not susceptible to a simple definition having universal application.” The Panel synthesized the concept into a framework comprising twelve attributes, each of which is useful in forming judgments about effectiveness. The attributes are intended to provide a basis for reporting information at a level that is meaningful to managers and governing bodies and that can be substantiated and audited.

The Panel arrived at a number of other important conclusions including:

1. The need of members of governing bodies for information related to their interests and responsibilities.
2. The need of managers to be able to tailor the required information to their organization's specific characteristics and circumstances.
3. The importance of establishing an agreed framework that is capable of embracing the wide range of issues with which governing bodies and their management must contend, and of bringing information together in a way that allows the overall picture of an institution's performance to emerge and be understood
4. The importance of establishing a disciplined but flexible process for generating and providing the information which contributes to strong management, meaningful accountability and effective governance.
5. The need for independent validation of the information.

Since the publication of this initial research, CCAF has developed a number of publications and products concerning the subject of effectiveness. Prominent in this regard have been a series of monographs reporting on the experiences of a wide variety of organizations in applying the effectiveness reporting framework. The experience, lessons learned and advice emerging from these and other applications of the framework are synthesized in CCAF's 1993 document, *Reporting and Auditing Effectiveness—Putting Theory into Practice*.

*THE ATTRIBUTES ARE
INTENDED TO PROVIDE A BASIS
FOR REPORTING INFORMATION
AT A LEVEL THAT IS
MEANINGFUL TO MANAGERS
AND GOVERNING BODIES AND
THAT CAN BE SUBSTANTIATED
AND AUDITED.*

By way of illustration, one such applied research monograph is, *Reporting on Effectiveness—The Experience of the Queen Elizabeth Hospital*. This report describes the results of a project conducted by the hospital respecting its Chronic Care Service.

The following quotation is from this publication:

“This report on the Chronic Care Service has captured and integrated existing information, using the 12 attributes of effectiveness. As expected, the process has identified a number of gaps in our information...In keeping with our original expectations, the process has provided a good context in which to assess the importance of these gaps, and from which to begin to formulate cost-effective strategies to improve this situation in future reporting to the Board.

Our test of success, therefore, was not that we would produce a report complete in every detail. This would certainly not have been a realistic expectation in a pilot project, particularly given our belief that initial experimentation with the framework would take our thinking, and ultimately the thinking of the Board, in new directions. Our test of success was the completion of a report that could provide a more integrated and strategic focus to discussions with the Board on one of the major lines of business of the Hospital. Previously, we had not often achieved this high-level focus using the separate streams of information given the Board on individual operational components and processes of the QEH.”

The value of the CCAF framework is clearly demonstrated in this reference to its potential to provide an “integrated and strategic focus” for one of the hospital’s most important programs. The framework also proved valuable in helping management identify its needs to strengthen its information systems. The project was only the first step to improved effectiveness reporting, answering some questions and raising others.

The CCAF framework has been applied in many organizational contexts. And while each application brings unique challenges, the workability and flexibility of the framework has been demonstrated. It works when people want it to work—a truism perhaps, but an important point to assert in countering any tendency to be lulled into a ‘cookie-cutter’ mentality.

HISTORICAL DEVELOPMENTS

CICA AND CRITERIA OF CONTROL

The CICA’s Board of Governors established the Criteria of Control initiative in response to at least three trends.

The first is action by a number of regulators and legislators to strengthen requirements about control, including calls for public disclosure. For example, in a bid to improve the protection of depositors in financial institutions, audit committees of banks, insurance companies and other federally incorporated financial institutions, are required to “ensure that appropriate internal control procedures are in place,” and the Canada Deposit Insurance Corporation has published its *Statement of sound business and financial practices concerning control*.

And in December of 1994, a blue-ribbon committee of the Toronto Stock Exchange issued its report, *Where Were the Directors?* which provided guidelines for improved corporate governance in Canada. The committee recommended that all public companies be required to report on the adequacy of internal controls on financial reporting and regulatory compliance as part of their annual report. The Committee called on CICA to lead the development of a definition of control and related reporting protocols to permit this recommendation to be implemented.

The second trend is society's increased expectations of directors, evidenced in a growing number of laws that make directors personally liable for corporate actions, such as breaches of environmental regulations. This has made directors acutely aware of their personal legal liability and in turn has heightened their interest in control issues.

The third trend is a shift in how organizations are managed and controlled. Global competition and the possibilities offered by technology have led many organizations to modify the traditional top-down command-and control style of management. In its place is a delegation of authority as close to the front line as possible, and a renewed emphasis on informal controls such as shared vision, shared values, open communications and trust.

Robert Haas, chairman and CEO of Levi Strauss & Co., put it nicely in the September/October 1990 issue of *Harvard Business Review*. "If companies are going to react quickly to changes in the marketplace, they have to put more and more accountability, authority, and information into the hands of the people who are closest to the products and the customer.... This is where values come in. In a more volatile and dynamic business environment, controls have to be conceptual.... It's the ideas of a business that are controlling, not some manager with authority. Values provide a common language for aligning a company's leadership and its people."

These trends are international. In the United States, the Federal Deposit Insurance Corporation Act (1991) calls for management representations on internal control, together with independent reporting by public accountants. And in 1992, the Committee of Sponsoring Organizations (COSO) published a landmark document, *Internal Control - Integrated Framework*. The Public Oversight Board of the American Institute of Certified Public Accountants has renewed its call for management and auditor reporting on control.

In the United Kingdom, concern about the reliability of financial reporting has been sparked by well known failures such as the Bank of Credit and Commerce International and the Robert Maxwell empire. In 1991, the Cadbury committee was established by the London Stock Exchange (LSE) and the accountancy profession. In its report, the committee concluded that: "an effective internal control system is an essential part of the efficient management of a company...Directors should report on the effectiveness of their system of internal control, and the auditor should report on their statement." The London Stock Exchange has adopted the Cadbury recommendations as a listing requirement for public companies.

Guidance on Control represents a radical re-examination of control in light of these trends. Included in its concept of control are all of the elements that help an organization achieve its objectives and manage its risks, such as its culture, systems, processes, structures and procedures. Control can support operating objectives, such as customer satisfaction, reporting objectives such as the reliability of financial information, or compliance with the law.

CONTROL CAN SUPPORT
OPERATING OBJECTIVES, SUCH
AS CUSTOMER SATISFACTION,
REPORTING OBJECTIVES SUCH
AS THE RELIABILITY OF
FINANCIAL INFORMATION, OR
COMPLIANCE WITH THE LAW.

Early indications are that *Guidance on Control* is meeting important needs. “It’s practical and helpful,” says Mel Snider, FCA, Senior Vice-President Finance and Administration of CCL Industries Inc, a Canadian-based billion-dollar multinational. “It provides a comprehensive resource for developing a control framework for controlling and improving the reliability of business operations. And we have found it equally applicable in different divisions throughout the company. It’s an excellent resource for professional managers at all levels in the company, starting with the board of directors.”

And the reputation of *Guidance on Control* is spreading. The American Institute of Certified Public Accountants has established a Special Committee on Assurance Services, charged with analyzing and making recommendations about the future of the auditing and assurance function. Committee chair Bob Elliott comments: “CoCo is leading edge. The CoCo framework is in tune with the needs of business today. It is the vision of control that the accounting profession needs to carry it into the twenty-first century. I congratulate the CICA on an outstanding product.”

COMPARISON

OF THE TWO FRAMEWORKS

BOTH PUBLIC AND PRIVATE

SECTOR ORGANIZATIONS WILL

FIND EACH FRAMEWORK

USEFUL AT VARIOUS TIMES AND

IN VARIOUS WAYS.

As noted earlier, the issues of control and information while distinct from each other, are inseparable. The two frameworks complement each other in many important ways.

CCAF’s framework can be used by an organization to first visualize and then report on its overall performance and that of its major programs or lines of business. The CICA framework provides a structure for an organization to assess the effectiveness of its systems of control and answer two key questions: Are we going to meet our objectives, and how do we know? In both cases, it is recognized that there is an important role for auditors to add credibility to the representations of management.

A careful reading of the literature behind these two frameworks shows that several of the CCAF attributes deal with the same issues as the CICA criteria. Not surprisingly, each places an emphasis on results and on the nature of the objective-setting process. Each stresses the importance of information, monitoring, communications and reporting. Each takes a broad-based perspective. Each is concerned with the future as well as with the present. Each appreciates the different dynamics that may be in operation in individual organizations and advocates flexibility and discipline in responding to such circumstances. And each deals with the subject of risks, their identification and management.

Both public and private sector organizations will find each framework useful at various times and in various ways. For example, a government department that wishes to assess its systems of control related to sexual harassment, safety or computer security may well turn to the CICA framework. On the other hand, a multi-national company called upon to assess and report on its overall performance, or for example its research and development business, may decide to make use of the CCAF framework.

In the final analysis, each framework is a different entry point into the same governance and accountability territory—one through the prism of control, and the other through the prism of information on performance. Each framework in a sense provides a partial picture; each provides valuable insights; and, each helps an organization improve its understanding, its ability to make predictions about the future and enhance its accountability.

RELATED CCAF AND CICA GOVERNANCE INITIATIVES

As touched on earlier, within the past eighteen months, the CCAF and the CICA have issued materials related to the subject of corporate governance which builds on their two frameworks. Because of the importance and relevance of this material, it is referred to briefly. Although these products differ, they again complement each other.

The CCAF’s *In Search of Effective Governance* is a video-documentation package for board members, politicians, directors, trustees and the professionals who serve their interests. The introductory brochure says in part... “[N]ever has it been as difficult to effectively govern an organization than it is today. While responding to the public’s need for services, governing bodies everywhere are trying to cope with multiple and sometimes competing demands. At the same time, they are trying to work within constrained budgets and reduce and manage deficits...” The video program includes interviews with a number of prominent authorities including Denis Desautels, John Palmer, Barrie Webb, Edward Waitzer and Dr. Stuart Smith.

In Search of Effective Governance sets out six characteristics which, when taken together, constitute a framework that will help governing bodies assess where they stand in their search for effective governance.

THE SIX CHARACTERISTICS ARE:

1. We have the necessary knowledge, ability and commitment to fulfill our responsibilities.
2. We understand our purpose and whose interests we represent.
3. We understand the objectives and strategies of the organization we govern.
4. We understand what constitutes reasonable information for good governance...and we obtain it.
5. Once informed, we are prepared to act to ensure the organization’s objectives are met and the performance is satisfactory.
6. We fulfill our own accountability obligations to those whose interests we represent by reporting on our organization’s effectiveness.

EACH FRAMEWORK IN A SENSE PROVIDES A PARTIAL PICTURE; EACH PROVIDES VALUABLE INSIGHTS; AND, EACH HELPS AN ORGANIZATION IMPROVE ITS UNDERSTANDING, ITS ABILITY TO MAKE PREDICTIONS ABOUT THE FUTURE AND ENHANCE ITS ACCOUNTABILITY.

A further feature of the *In Search Of Effective Governance* package is the ‘Governance Information Check-up’, a mirror image of the 12 attribute framework. The Check-up is intended to help a governing body to consider what aspects of performance are important to their interests and responsibilities, to reflect on the performance of the organization in these respects, to assess the nature of information they are receiving, and to consider how well they are reporting on their organization’s performance to key stakeholders.

CCAF’s follow-up video-documentation package *Governance Information—Strategies for Success*, builds on the above. It provides a basis for governing bodies to assess the quality and usefulness of current governance information. It explains the conditions and strategies for success in advancing the quality of such information. And it outlines the steps that an organization can take based on the assessment that has been made.

The CICA’s publication, *Guidance for Directors—Governance processes for control*, was issued in draft to allow interested parties to comment before it was finalized. It was prepared by the Directors Advisory Group chaired by Guylaine Saucier, chair of the Canadian Broadcasting Corporation. The other members of group are Claude Fontaine, Roy Bennett, James Gillies and Purdy Crawford.

The document focuses on the unique contributions of the board of directors for control in the organization as a whole, and describes how the board can discharge its control responsibilities as follows:

1. Approving and monitoring mission, vision and strategy.
2. Approving and monitoring the organization’s ethical values.
3. Monitoring management control.
4. Evaluating senior management.
5. Overseeing external communications.
6. Assessing the board’s effectiveness.

It includes many sample questions that can be asked by an individual director on a continuing basis or raised at a meeting for consideration by the board itself. Some questions are flagged as possibly requiring discussion by the independent directors only.

In 1995, the Toronto and Montreal Stock Exchanges introduced requirements for companies to disclose their approach to corporate governance in their annual reports or information circulars. The CoCo documents will be useful not only to public companies subject to those requirements but to the many organizations in all sectors of the economy that are seeking to improve management control and board governance.

According to Edward Waitzer, chairman of the Ontario Securities Commission, “*Guidance for Directors—Governance processes for control* is practical advice for directors. It is probably the single most constructive piece I’ve seen on corporate governance in the past couple of years.”

CONCLUSION

One public company has a rather unique information system which other organizations in both the public and private sectors may wish to explore. The input for the system comes primarily from two sources. The first source is a comprehensive and ongoing program of self-assessment organized and facilitated by the internal audit department. The second source is the findings of the internal auditors resulting from their traditional examination activities.

The data base is coded in such a way that various frameworks can be used to extract and organize the information. Both the CCAF twelve attribute framework and the CICA twenty criteria framework have been used for this purpose. The application of these frameworks permits the internal audit department to prepare reports on effectiveness as well as assess systems of control.

Organizations are coming to the realization that real understanding can only come from adopting multiple perspectives, making use of several tools, and using more than one framework. A wealth of knowledge and experience is reflected in the CCAF and CICA frameworks. Each is valuable, but each tells only part of the story. Government departments, not-for-profit and private sector organizations will all come to a realization that 'control' and 'reporting on performance' are indeed two sides of the same coin, and that in dealing with such important issues two frameworks really are better than one.

*ORGANIZATIONS ARE COMING
TO THE REALIZATION THAT
REAL UNDERSTANDING CAN
ONLY COME FROM ADOPTING
MULTIPLE PERSPECTIVES,
MAKING USE OF SEVERAL
TOOLS, AND USING MORE THAN
ONE FRAMEWORK.*

APPENDIX 1

CCAF FRAMEWORK OF TWELVE ATTRIBUTES

The CCAF framework is intended as a guide to help governing bodies and executive management think about the performance of their organization and determine what information needs to be reported, and how, in order to convey a fair and complete picture of this performance. The attributes are key benchmarks against which to apply the completeness test for the performance reporting made. The form and structure of the actual report, however, may vary from circumstance to circumstance.

THE TWELVE ATTRIBUTES ARE:

Management direction: the extent to which the objectives of an organization, its component programs or lines of business, and its employees, are clear, well-integrated and understood, and appropriately reflected in the organization's plans, structure, delegations of authority and decision-making processes

Relevance: the extent to which a program or line of business continues to make sense in regard to the problems or conditions to which it is intended to respond

Appropriateness: the extent to which the design of a program or its major components, and the level of effort being made, are logical given the specific objectives to be achieved

Achievement of intended results: the extent to which goals and objectives have been realized

Acceptance: the extent to which the constituencies or customers for whom a program or line of business is designed judge it to be satisfactory

Secondary impacts: the extent to which other significant consequences, either intended or unintended and either positive or negative, have occurred

Costs and productivity: the relationships among costs, inputs and outputs

Responsiveness: an organization's ability to adapt to changes in such factors as markets, competition, available funding or technology

Financial results: the matching of, and the accounting for, revenues and costs and the accounting for and valuation of assets, liabilities and equity

Working environment: the extent to which the organization provides an appropriate work atmosphere for its employees, provides appropriate opportunities for development and achievement, and promotes commitment, initiative and safety

Protection of assets: the extent to which important assets—e.g., sources of supply, valuable property, key personnel, agreements, and important records or information—are safeguarded so that the organization is protected from the danger of losses that could threaten its success, credibility, continuity and, perhaps, its very existence

Monitoring and reporting: the extent to which key matters pertaining to performance and organizational strength are identified, monitored and reported.

APPENDIX 2

CICA FRAMEWORK OF TWENTY CRITERIA OF CONTROL

People throughout an organization can develop, assess and change control, using the CICA control framework as a way of understanding the important elements of control and the important relationships among them. Control comprises those elements of an organization (including its resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of the organization's objectives. The framework includes 20 criteria for effective control, in four groupings. The criteria need to be interpreted in the context of particular objectives, and some may be more important than others in any particular case.

PURPOSE: criteria that provide a sense of the organization's direction

- A1 Objectives should be established and communicated.
- A2 The significant internal and external risks faced by an organization in the achievement of its objectives should be identified and assessed.
- A3 Policies designed to support the achievement of an organization's objectives and the management of its risks should be established, communicated and practised so that people understand what is expected of them and the scope of their freedom to act.
- A4 Plans to guide efforts in achieving the organization's objectives should be established and communicated.
- A5 Objectives and related plans should include measurable performance targets and indicators.

COMMITMENT: criteria that provide a sense of the organization's identity and values

- B1 Shared ethical values, including integrity, should be established, communicated and practised throughout the organization.
- B2 Human resource policies and practices should be consistent with an organization's ethical values and with the achievement of its objectives.
- B3 Authority, responsibility and accountability should be clearly defined and consistent with an organization's objectives so that decisions and actions are taken by the appropriate people.
- B4 An atmosphere of mutual trust should be fostered to support the flow of information between people and their effective performance toward achieving the organization's objectives.

CAPABILITY: criteria that provide a sense of the organization's competence

- C1 People should have the necessary knowledge, skills and tools to support the achievement of the organization's objectives.
- C2 Communication processes should support the organization's values and the achievement of its objectives.

-
- C3 Sufficient and relevant information should be identified and communicated in a timely manner to enable people to perform their assigned responsibilities.

 - C4 The decisions and actions of different parts of the organization should be coordinated.

 - C5 Control activities should be designed as an integral part of the organization, taking into consideration its objectives, the risks to their achievement, and the inter-relatedness of control elements.

MONITORING AND LEARNING: criteria that provide a sense of the organization's evolution

-
- D1 External and internal environments should be monitored to obtain information that may signal a need to re-evaluate the organization's objectives or control.

 - D2 Performance should be monitored against the targets and indicators identified in the organization's objectives and plans.

 - D3 The assumptions behind an organization's objectives should be periodically challenged.

 - D4 Information needs and related information systems should be reassessed as objectives change or as reporting deficiencies are identified.

 - D5 Follow-up procedures should be established and performed to ensure appropriate change or action occurs.

 - D6 Management should periodically assess the effectiveness of control in its organization and communicate the results to those to whom it is accountable.