

Office of the Auditor General

***Practice Review Report for
Annual Audits Completed in Fiscal Year 2001 - 02***



Professional Practices Group
Direction des méthodes professionnelles

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Executive Summary

Introduction

In accordance with the Office's annual internal audit plan that was approved by the Audit Committee, the Professional Practices Group completed the 2001 – 02 cycle of the annual audit practice reviews. This document reports the results of those reviews.

Conclusion

Based upon the practice reviews conducted, we concluded that all the audits reviewed for this cycle were carried out, in all significant aspects, in accordance with Generally Accepted Auditing Standards (GAAS), legislative requirements, and Office policies. We did not identify any areas of non-compliance in the application of the Office's Quality Management System (QMS) for its annual audit practice.

Practice review objectives and scope

This review cycle is part of the ongoing Annual Audit Practice Review Program designed to provide the Auditor General with assurance that the Office's Quality Management System for the annual audit practice is suitably designed and effectively applied to meet legislative requirements, professional standards, and Office policies.

We completed the review of five audits: four with a March 2001 year-end and one with a March 2002 year-end. Three of the reviews were audits of Crown corporations and other entities, and two were departmental audits (components of the attest audit of the financial statements of the Government of Canada).

Opportunities for improvement

In 2001 – 02, there were five annual audits and ten departmental audits where the responsible principal was a non-accountant. In such situations, the Office has developed an approach to mitigate the risks by, in part, pairing non-accountant principals with experienced attest directors. We recommended that the Product Leader for Annual Attest Practice and the Product Leader for the Public Accounts of Canada document the tacit strategy for managing the risks associated with

audits where a non-accountant principal is involved in an attest audit. The Office should also formalize this tacit strategy in an Office policy. In addition, the Professional Development Group in collaboration with the product leaders should develop the requisite formal and on-the-job training program for non-accountant principals, given their responsibility for annual attest audits.

We also found that modest improvements in audit efficiency could be achieved by better management of

- staff continuity,
- staffing of audits to ensure an optimum mix of experienced and non-experienced auditors,
- requests by auditors for working papers that were prepared by clients, and
- audit approaches to ensure that they are the most cost-effective under the circumstances.

These areas for improvement were discussed with the responsible audit principals and assistant auditors general, who agreed with the suggestions.

Product leaders' response

We agree that it would be useful to document the manner in which the Office manages the risks associated with audits where a non-accountant principal is involved in an attest audit. We also support the recommendation to work with Professional Development to develop a short training program that would assist these non-accountant principals in better understanding and carrying out their responsibilities. However, the relative priority of these initiatives and their resource requirements will have to be assessed in relation to a large number of other initiatives already underway in these areas.

At the same time, it is important to recognize that steps have already been taken to provide support to such non-accountant principals. Concerted efforts have been made to ensure that they are paired with experienced attest directors, and quality reviewers have been assigned to most of these audits.