

Office of the Auditor General

Practice Review Report

on

Value-for-Money Audits Reported in 2001 and April/May 2002



Professional Practices Group
Direction des méthodes professionnelles

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Executive Summary

Introduction

In accordance with the policy of the Office of the Auditor General on practice review and internal audit, the Professional Practices Group (PPG) conducted a limited-scope review of practices in nine value-for-money (VFM) audits and studies reported in 2001 and April/May 2002.

Conclusion

In seven of the nine audits and studies, practices had complied with the elements of the Quality Management System (QMS) we assessed—namely, conduct of the audit, resourcing, and consultation.

One audit received three non-compliance ratings. Two of the three non-compliance ratings related to the conduct of the audit: (1) there was no documentation of how the team exercised due care in reviewing the quality of secondary source data used in the chapter; (2) the process followed by the PX and AAG in reviewing the evidence before the chapter's publication was not documented. The third non-compliance rating related to resourcing: the audit proceeded without sufficient resources. Steps have been taken to lower the risk of this situation happening again in the future.

Another audit received a rating of non-compliance for proceeding without sufficient resources. To address this issue, we recommend that guidance be updated to require an AAG sign-off on the survey/examination plan. The methodology has now been changed to reflect this.

All audits complied with the requirements for review by the second AAG. We also found compliance with the requirements for the consultation element of the QMS.

Opportunities for improvement

We identified a need for the Office to develop enhanced guidance on

- documenting key decisions made during the audit, and
- relying on data from secondary sources.

Guidance on documenting key decisions made during the audit has now been provided in the revised VFM Audit Manual.

Background

Every year the Office of the Auditor General conducts a structured review of the practices followed in its value-for-money (VFM) audits. These yearly reviews are co-ordinated by the Professional Practices Group and carried out by experienced VFM practitioners. This report describes the results of practice reviews covering VFM chapters tabled in 2001 and April/May 2002.

Review objectives and scope

The objectives of the practice review were to determine whether, for the three QMS elements assessed,

- audit practices met the expectations of the VFM Quality Management System,
- audit teams complied with VFM audit policies,
- the VFM Quality Management System was designed and implemented effectively, and
- there were opportunities to improve VFM audit policies and practices.

The scope of the practice review included audits and studies reported during 2001 and April/May 2002. We selected nine chapters out of a total of 28, representing \$14.8 million of the roughly \$27 million spent by the OAG on VFM audits during this period. The review looked at 2001-2002 chapters whose authors have VFM chapters in 2003. We focussed on three elements of the Quality Management System (QMS):

- Conduct of the audit—evidence, substantiation, and review by the second AAG,
- Resourcing—ensuring appropriate resourcing at every phase of the audits, and
- Consultation—timing and nature of consultations with Functional Responsibility Leaders (FRLs).

Follow-up on prior year's recommendation

The observations and recommendation reported in our last practice review cycle have been addressed satisfactorily, except for problems regarding the conduct and resourcing of audits. We will continue to focus on these aspects in future practice reviews.

Executive Committee's response

We agree with the findings of the report. We are committed to taking the necessary corrective actions to address identified shortcomings. Specific steps have been taken in the case where one or more elements received a rating of non-compliance. Senior Quality Reviewers are assigned to the audits in the area and an internal quality reviewer has been assigned to work with the auditors.

The recently created Value-for-Money Management Committee will be working closely with the Comptroller, and as part of its mandate will be challenging the adequacy of the resources at key approval points of an audit. New management systems of staff assignment will also identify gaps in resourcing during the course of an audit. A senior practitioner will be assigned responsibility for managing that system and raising issues of concern to the executive.

We also agree with the opportunities for improvement outlined in this report and have taken steps through two management committees dealing with methodology and training to address these issues by issuing required guidance and providing related training to auditors.