

**Office of the Auditor General of Canada**

**Practice Review Report**

**Annual Audits Product Line**

**Audits Completed in Fiscal Year 2002 - 03**

**Executive Summary  
May 2004**



Strategic Planning and Professional Practices  
Planification stratégique et méthodes professionnelles

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## **Executive Summary**

### **Introduction**

In accordance with the Office's Long-term Practice Review Strategy 2003-04 to 2005-06 approved by the Audit Committee and the Auditor General, the Strategic Planning and Professional Practices (SPPP) group conducted six practice reviews of annual audits in 2003-04. This document reports the results of these reviews.

### **Conclusion**

Based upon the practice reviews performed, we concluded that the audits reviewed were carried out, in all significant respects, in accordance with the Quality Management System (QMS) Elements under review (Conduct of the Audit, Consultation, and Resourcing).

### **Background**

The Annual Audit Practice is an important component of the Office's Legislative Auditing Practice. It comprises the audits of the financial statements of the Government of Canada, most of the federal Crown corporations, other government entities, and territorial governments.

The financial audits are performed according to standards set by the Canadian Institute of Chartered Accounts (CICA) and policies and methodology set by the Office. In 2002-03 the Annual Audit Practice underwent significant change with the introduction of a revised audit methodology including the electronic audit tool TeamMate. Consequently, SPPP revised its methodology to perform practice reviews for annual audits. SPPP also adopted a risk-based approach to perform the practice reviews more efficiently.

### **Audit Objective and Scope**

The objective of the practice reviews was to provide the Auditor General with assurance that the Office's QMS for annual audits is suitably designed and operates effectively to meet legislative requirements, professional standards, and the Office policies for annual audits.

Six audits were selected for review from the annual audits of financial statements with year-ends between April 2002 and March 2003: one with a December 2002 year-end and five with March 2003 year-ends. Three of the reviews were audits of Crown corporations and other entities, and the three others were departmental audits (components of the annual audit of the summary financial statements of the Government of Canada).

## **Good Practices and Opportunities for Improvement**

In the first year of implementation of the new TeamMate software, we noted that all of the teams made a good start at using the software to document the required audit evidence and manage the audit cycle. During the practice reviews we identified good practices, however, we also identified opportunities for improvement in the use of TeamMate that would allow the teams to take better advantage of the opportunities that the software offers. In addition, we identified some opportunities for improvement related to the revised annual audit methodology to be considered practice-wide. These include revising the approach on testing of general computer controls and clarifying the division of responsibilities between entity teams and the central team regarding the testing of management and monitoring controls of the payroll cycle for the audit of the Public Accounts of Canada. These areas for improvement were discussed with the responsible audit Principals, Assistant Auditors General, and Deputy Auditor General, who agreed with these suggestions.

### **Product Leaders' response**

*We are pleased with the findings of the report that have concluded that the audits reviewed are in accordance with the Quality Management System Elements.*

*We have noted that the responsible Principals and Directors have agreed with the opportunities for improvement for their respective audit teams and would expect them to implement the suggestions in a timely manner.*

*We also agree with the practice-wide suggestions for improvement and are pleased to report that the Information Technology Audit Team is currently working on revising the guidance on the testing of general computer controls and expects to complete this work by November 2004. The division of responsibilities between entity teams and the Central Team regarding the testing of management and monitoring controls of the payroll cycle for the audit of the Public Accounts of Canada was clarified during a January 2004 meeting of the Central Public Accounts Team and departmental audit teams.*