

**Office of the Auditor General of Canada**

**Practice Review Report**

**Review of Progress toward the Vision for the Audit of the  
Summary Financial Statements of the Government of Canada**

**May 2006**



Strategic Planning and Professional Practices  
Planification stratégique et méthodes professionnelles

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## **Executive Summary**

### **Introduction**

Strategic Planning and Professional Practices group conducted a review of the progress toward the Section 6 Audit Vision according to the Office's Long-term Practice Review Plan 2005-06 to 2007-08, recommended by the Audit Committee and approved by the Auditor General.

### **Background**

Twenty-three entity audit teams work with the team responsible for the audit of the Public Accounts of Canada – the Central Team – to provide an audit opinion on the Summary Financial Statements of the Government of Canada. In 2000 the Office of the Auditor General undertook a project to modernize and better co-ordinate its financial, control and compliance with authorities audits. The Section 6 Audit Vision was developed and approved as a framework to advance that audit toward these goals.

The vision involved updating existing practices and other changes to the Office's largest audit. More specifically, it involved changes to incorporate automated working papers, provide training and guidance to create more autonomous entity teams, as well as develop a more control reliant and business risk-based approach to auditing. Assumptions were made which represented what ideally should be in place to be able to achieve the goals.

Since the time the Vision was developed the government has decided to prepare financial statements for each department and have them audited by the Auditor General. The government has indicated that this will start in 2009.

### **Objective and scope**

The objective of this review was to evaluate the overall progress in implementing the Section 6 Audit Vision. In particular, this review evaluated the continuing validity of the assumptions made in 2001 and the progress toward implementing the individual elements of the vision. The review focused on the progress achieved up to the 2004-05 audit of the Public Accounts of Canada.

### **Methodology for the review**

A sample of six entity audits was selected for review. TeamMate files and other key documents related to the vision were reviewed and analysed. As well, interviews were conducted with responsible managers and staff.

## **Conclusion**

Based on our review work and results of interviews with staff members, we found that, of the six assumptions made in the Vision, three assumptions were either fully or largely realized while the remaining three require further consideration. The Office has made progress on most of the elements of the Vision. Of the 15 key elements, 4 had satisfactory progress while 9 had some progress but need more attention. Two elements have seen little progress – one because of an initial decision not to act on it and the other because it was more challenging than initially anticipated.

## **Suggestions for moving forward**

This review suggests improvements for moving forward, taking into consideration the requirement for audited departmental financial statements. The Central Team, information technology audit financial team, entity audit teams, and professional development should work together to achieve the improvements by:

- updating and clarifying the strategic direction for the Section 6 Audit including preparing for audits of departmental financial statements;
- developing an implementation plan;
- reporting results to the Executive Working Group – Annual Audit & Special Examinations and the Executive Committee;
- communicating better with entity management and oversight committees;
- increasing integration of knowledge across product lines;
- improving business risk analysis and conducting a more complete analysis of inherent and control risks;
- increasing reliance on internal audit;
- better co-ordinating control assessment work;
- increasing collaboration among entity audit teams;
- improving the Public Accounts content of professional development courses; and
- developing a comprehensive evaluation plan for the implementation of the new professional development curriculum.

## **Product Leader's response**

The Executive Committee received updates on the Public Accounts audit approach and strategy and on our progress in controls reviews. These updates allowed senior management to be aware of our progress in relying on controls and how the Public Accounts audit has been changing.

The government's decision to require audited departmental financial statements, currently planned for 2009, will have a significant impact on our Public Accounts audit. Departments are assessing their readiness for audit and will develop plans to address the issues identified in those assessments and put the controls in place to allow a controls reliant audit. This will assist us in moving the Section 6 audit to the highly controls reliant audit approach that we envisioned.

We are developing a plan to implement audited departmental financial statements that will consider the impact on the audit work of the Office, including the Public Accounts. We will provide the Executive Committee with updates on this plan.

There are several other suggestions for improvement and these will be considered as we develop our audit strategy and provide guidance to audit teams. However, many of them, in particular increasing integration of knowledge across product lines, improving business risk analysis, increasing reliance on internal audit, better communication with management and oversight committees, better co-ordination of control assessment work and increasing collaboration among teams, require audit teams to take the initiative or at least to contribute to make it happen.

### **Professional Development's Response**

In the last year, Professional Development launched its new curriculum that includes mandatory and optional courses. This new curriculum was developed to ensure that employees have access to all required courses and to support the quality of our audit work.

While this is being implemented, Professional Development is also updating existing courses on an on-going basis to reflect changes in audit methodology. This is done in collaboration with Annual Audit Practice Team. Courses are not delivered if they do not reflect changes in Office methodology. The Public Accounts content of our courses has been weak in the past; we are introducing Public Accounts content when developing new courses and updating existing courses. In collaboration with the Public Accounts Team, we will be able to offer for the first time this fall a new course - "Introduction to Public Sector Accounting". We monitor financial auditors' needs on a regular basis and we provide specific training when required; the "Financial Instruments" course offered last year was such a request.

The Professional Development Group will follow-up the implementation of the curriculum and the application of specific skills on the job. However, due to limited resources, we have to give priority to course development and course delivery. Therefore the follow-up will not be completed until most of the courses are available.