

Office of the Auditor General

**Review of the Role of the Reference AAG
in the
Annual Audit Practice**

EXECUTIVE SUMMARY



Professional Practices Group
Direction des méthodes professionnelles

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Executive Summary

Background

In order to provide an enhanced level of quality assurance on higher risk annual attest audits, the OAG has a process in place of consultation with what is known as the Reference AAG. There has been concern expressed during practice reviews conducted over the past year that Reference AAGs are not being consulted, or are being consulted too late, in the audit process. Furthermore, there is a lack of evidence of the work performed by the Reference AAGs. As well, the auditing profession worldwide has recognized the need for quality control in the audit process and the CICA has recently put together a task force to come up with revised standards in this area.

Conclusion and Recommendations

Based on our research and findings, we concluded that changes are necessary to strengthen the Reference AAG consultation process. These changes would also bring the Reference AAG process in line with where the profession is heading, including the proposed requirements for additional quality control practices to be in place.

It is recommended that the Annual Audit Practice Leader review and update the policies and guidance on consultation with a Reference AAG. To encourage understanding of and compliance with the policy, the Annual Audit Practice Leader should develop and oversee training to the practice.

Objectives and Approach

The review had the following objectives:

1. Determine the extent to which current guidance is being followed and determine the nature and causes for any deviations; and,
2. Recommend changes (if required) to the OAG guidance to ensure it aligns with the direction being followed by the profession.

We examined a sample of ten audits from the 2001 calendar year which were assigned a Reference AAG. We also interviewed the five Reference AAGs assigned to these audits to obtain an understanding of the work they performed and their understanding of their role.

Opportunities for Improvement

Based upon the work performed, we noted the following areas where current practice could be improved:

- Specific criteria for the selection of audits with Reference AAGs are not documented;
- Communication between the audit team and the Reference AAG is uneven;
- Documentation of review by Reference AAGs in some cases did not meet Annual Audit documentation standards;
- Evidence of time spent by Reference AAGs on audits is uneven;

The practice leader, in his comprehensive response to the report, agreed to an action plan to address the concerns raised by September 2002 with any training required to follow later.