100 TIPS
for **Performance Auditors**

CANADIAN AUDIT
& ACCOUNTABILITY
FOUNDATION

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Introduction

Our *Audit Tips* series highlights good practices and provides practical advice for performance auditors on selected themes relevant to their work. Each edition is based on research conducted by CAAF in collaboration with many Canadian internal and legislative auditors.

We launched the *Audit Tips* series in April 2018 and have regularly published new editions since.

In *100 Tips for Performance Auditors*, we have collected 15 *Audit Tips* editions in a new reference document for public sector auditors. The 100 tips are presented under three thematic sections:

▶ **The Audit Process** (tools and practices that can be used in every audit)

▶ **Audit Themes** (tips on auditing particular topics)

▶ **Emerging Technologies** (information and advice on new technologies and their use)

We hope that this document will be useful to performance auditors around the world as they plan, carry out, and report on their audits.

Yves Genest
Vice-President, Products and Services
Canadian Audit and Accountability Foundation

PART 1
The Audit Process

SELECTING AUDITS »

5 Considerations When Choosing Value-added Audits

Choosing an audit topic is a crucial moment in the performance audit process. Ultimately, audit topic selection reflects on the credibility and the relevance of the audit organization and on the usefulness of its audit reports. A good way of selecting the right audit topic is to aim to add value for the recipient of the audit report. A value-added audit is more likely to be well received and to lead to concrete improvements. But what does "value-added" really mean?

There are several considerations involved in defining value-added:

1 Providing assurance is important

If a truly significant area is examined, the audit will add great value by providing assurance to the oversight body and management. This is true whether or not the audit identifies major problems. If problems are already known, the audit is in a good position to shed light on how well or how badly they are being addressed. Audits, by contributing to strengthening accountability, can add substantial value.

2 Improving the understanding of a topic is very valuable

An audit often presents a unique opportunity to provide recipients with new information or perspectives about key factors or dimensions impacting the program or activity audited. As a result, audits can offer report recipients knowledge and insights that will deepen their understanding of the examined issues and enable them to better deal with them.

3 The potential for the identification of improvements should always be taken into account

Audits can result in insightful, practical recommendations that could lead to substantial performance improvements and cost savings. Some audit offices have explored the use of various methods to quantify the value-added of their audits. However, in many instances the benefits generated by the audit are difficult to quantify but can nonetheless be assessed qualitatively using professional judgement, surveys, interviews and focus groups.

4 Focusing on high-risk topics does not automatically add value

Audit standards require explicitly that audits be reflective of a good understanding of the risks facing the audited entity, with an obvious preference for high-risk areas. However, auditors have to be mindful that a high-risk area that is well managed could have only low residual risks and therefore not warrant audit attention (unless of course the controls and other mitigation strategies are themselves the object of the audit).

5 Formally integrating the potential value-added of audits in decision-making can be worthwhile

All of the above considerations are part of a deliberate exercise of professional judgement mandated by standards and good practices. Some audit offices go a step further and built-in the efforts to seek value-added topics in their audit plan preparation process. For example, the Office of the Auditor General of New Zealand requires for each proposed audit that the potential value added be identified. The proposer is required to rank the impact as high, medium, or low, and to justify the ranking by describing the potential for public benefit, performance improvement, significance, and fit with the office's role. The Office of the Auditor General of Canada has a similar requirement at the stage of audit selection, and requires that potential value added be refined at subsequent stages of approved audits, including a post-publication assessment of whether the anticipated value-added was achieved.

Learn more about selecting value-added audits
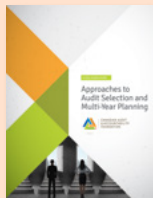
▶ **Discussion paper:**
Approaches to Audit Selection and Multi-Year Planning:
A Discussion Paper

LEADING AUDIT INTERVIEWS »

6 Tips to Conduct an Effective Audit Interview

Conducting interviews is a key evidence-gathering technique for performance auditors. While auditors can prepare for an interview by reading piles of documents and drafting a structured questionnaire, to be effective they also need to go to the interview with the right attitude.

These tips can help:

1

Be gentle

Allow interviewees to complete their sentences and answer questions in their own timeframe. A respectful attitude will reassure interviewees, reduce defensive mechanisms, and make for a more fruitful collection of information.

2

Be critical

During the interview, remain vigilant for any internal inconsistencies in the interviewees' answers. If the answers contradict information from other sources, it is OK to point that out (politely, of course).

3

Be clear

Ask simple, jargon-free questions.

4

Be open

Take your cue from the interviewees. You may start with a game plan and a prepared set of interview questions, but if the interviewees raise themes or issues that they think are important, listen carefully. You may obtain important information that you had not thought to ask for.

5 Be sensitive

Sometimes you can learn more from the attitude and the tone of the interviewees than from the content of their answers. Be attentive to verbal and non-verbal cues given by the interviewees. Are they defensive or overly enthusiastic? Do they elevate the tone, fidget, or avoid looking you in the eyes?

6 Be focused!

Understand the purpose of the interview and know the overall audit plan.
It has to all fit together.

Learn more about conducting interviews

▶ **Training:**
Evidence Collection and Analysis Training

APPLYING ROOT CAUSE ANALYSIS »

5 Ways Root Cause Analysis Can Improve Performance Audits

Root cause analysis is an approach to understanding why something happened or how a situation developed, whether it is an industrial accident, a defective product, or a program deficiency. It can also be used to drive efficiency, eliminate waste, or improve business processes.

Root cause analysis can be a great tool for public sector auditors because it provides them with opportunities to add more value to audit reports and increase their impact. Here are some of the potential benefits of using this tool:

1   A root cause analysis mindset will contribute to a better audit

A root cause mindset is essentially a state of mind in which auditors are always thinking "Why did this happen?". While it is very important to focus audit efforts and to make recommendations for improvements, equally important is to explore why something happened in the first place: "How did this situation develop?". This type of thinking, or mindset, starts at the onset of the audit process and continues right through to the reporting phase.

2   Root cause analysis can help focus audit efforts

Considering possible root causes for potential deficiencies before the audit plan is finalized can help ensure that the right issues are selected. This preliminary analysis is not meant to prejudge the final audit outcome but, rather, to determine what to look for in subsequent examination work. In other words, preliminary root cause analysis is an input to audit scoping.

3   Root cause analysis provides insights and explanations for audit findings

Auditors often end up asking the question "why"? Why do the deficiencies occur? Why are departments and agencies not in compliance? Why are risks not being managed or intended results not being realized? Why are strategies not developed? Why is information needed to support decisions not available? Often these types of audit findings are symptoms or manifestations of much deeper, more systemic factors. Analyzing the underlying—or root—causes of observed deficiencies helps to delve below the surface, beyond the symptoms, to answer these "why?" questions.

4 **Root cause analysis helps auditors to formulate better recommendations**

This may be the best argument in favor of undertaking root cause analysis. Using this tool allows audit offices to add more value to their work by developing audit recommendations that are aimed at correcting the underlying causes of reported findings or deficiencies. The ultimate goal is to ensure that lasting solutions can be designed and put in place by management so as to avoid repetition, report after report, of the same audit findings.

5 **Root cause analysis helps auditors to take organizational culture into account**

The culture of any organization influences how it operates in reality. However, public sector auditors rarely set out to audit organizational culture and often do not consider how it could influence their audit observations and conclusions. But, because culture is often a factor underlying problems and deficiencies in audited organizations, using root cause analysis tools exposes auditors to cultural causes and incites them to consider this type of cause as they formulate their findings and recommendations. In this way, root cause analysis can help auditors to take organizational culture into account in all their audits. (For more information on this topic, see our *Research Highlights* article *Auditing Organizational Culture in the Public Sector*).

Learn more about Root Cause Analysis

▶ **Discussion paper:**
  Better Integrating Root Cause Analysis into Public Sector Performance Auditing – Second Edition

▶ **Course:**
  Root Cause Analysis

▶ **Webinar:**
  Root Cause Analysis in Audits

CONDUCTING SURVEYS »

7 Tips for Conducting a Survey in a Performance Audit

An opinion survey can add a powerful element to a performance audit report. When carefully designed and correctly administered, a survey can provide valuable insight and information for a performance audit report.

Here are some tips for deciding whether and how to include a survey in your next performance audit.

1 Only do a survey if you have a clear rationale

Surveys have become omnipresent in our lives. It seems that every day, whenever we visit a website or buy a product or a service, we are asked to fill out a survey. And, of course, every so often the phone rings and it's another survey. It becomes tedious… and so we ignore surveys more and more.

There are two lessons in this. First, don't do a survey in your audit unless you have a clear need and rationale. Second, give careful thought to the population that is going to be filling out the survey and why they would want to provide their opinions to you. Just as you need a reason to conduct a survey, your respondents need a reason to complete it.

2 Avoid doing a survey early in your audit

A survey is not optimal at the planning or "knowledge of business" stage of an audit. To obtain the most value from a survey, wait until you have completed much of the audit fieldwork and have a good understanding of the auditee's business practices. This will ensure you can ask questions that are aligned with the audit criteria and are relevant to any performance gaps you discovered during the audit.

This means that you should not use a survey to "fish" for findings at the beginning of an audit project. Instead, you should conduct the survey near the end of fieldwork to confirm the risks or weaknesses you identified and learn how these are perceived by the surveyed population.

3 Online surveys are not always best

While there are many ways to conduct surveys, we often think of online surveys first. But don't turn too quickly to an online survey as the best solution. An online survey can certainly be an efficient and relatively inexpensive way to conduct your survey and get results quickly. However, this approach has many limitations. The most obvious one is that only people with Internet access can complete the survey.

Online surveys are best for brief questionnaires on specific issues and for surveying large populations. A mailed questionnaire works better for a longer survey, or one where you want respondents to provide more written commentary.

Be wary of "free" online survey tools. You get what you pay for. Free online surveys are often quite limited, with highly standardized questionnaires that may work well for a common customer satisfaction survey, but are often overly simplistic in an audit context. Hiring a survey firm with expertise in (and access to) more sophisticated web-based applications is often worth the investment.

4 Questionnaire design is an art, not a science

Designing a questionnaire and creating well-crafted questions is not easy. A good questionnaire should be clear, valid, and interesting. It is important to design the questionnaire based on an analytical framework. There are many ways to structure a survey question. To get it right, you must be very clear on what you are trying to discover and how you will use the results. You should also do the following:

- Scrutinize each question for relevance and clarity.
- Ensure questions are not biased or leading.
- Avoid using double-barreled questions (questions that ask about two topics). Each question must have a single focus, so that you can clearly interpret the results.
- Include an adequate range of response options, because forcing responses into limited categories may create erroneous data. Allow respondents to select "Don't know" or "Not applicable" or to skip the question.
- Avoid binary Yes/No responses unless there is a follow-up question.

Questionnaires are often limited in space, so do not waste questions asking anything you may not need or may already know the answer to. For example, while demographic questions are common on surveys (such as sex, age, education, and household income), respondents often dislike answering these questions, which feel invasive or as if they may be used to identify them. You may already know some of these demographic characteristics through your audit work. Unless there is a specific need to stratify the data along these demographics, you don't need to ask for this information.

5 Consider the social desirability bias

People lie on surveys. Actual behaviour is often different than reported behaviour. This type of response bias is called social desirability bias. We like to look better than we actually are, even on an anonymous survey!

Because respondents won't always admit to behaviours that make them look bad, be careful not to word the questions judgmentally in any way. For example, if you ask board members, "Do you ever go to board meetings unprepared or not having read the pre-meeting materials?", few will admit to this and the large majority will say they are always prepared. Instead, you'll get more reliable results if you ask board members, "Do you feel there are some members who come to the board meeting unprepared or not having read the pre-meeting materials?".

6 Think through all possible results

There is nothing more critical in survey research than getting the questions right! In developing your survey questionnaire, think through your expectations for each question. What will each result tell you and how will it add to the audit findings? Knowing how the survey results will be incorporated into the final audit report is a key part of developing the right questions.

What if the survey results are substantially different than what you are expecting? How would that impact your audit report? These questions are also important for the audit team to consider when developing questions. For example, if the audit fieldwork is finding program deficiencies, you may be expecting that program clients will report dissatisfaction. But what if the survey results indicate a high level of satisfaction among clients? What does that mean, or what could be causing that? Would it impact your audit findings, or require you to do more audit work to understand the deficiencies?

7 All survey results must be reported

All survey results must be reported. You cannot pick and choose what survey results to report. It would be highly unethical for auditors to only use the results that agree with what they want to report. All survey results, and often the full survey questionnaire, should be provided in an appendix to the audit report (for an example, see Appendix E in this Auditor General of Manitoba audit report).

Survey respondents will expect to see what the overall results are, and are often curious to see how their perspectives fit in with others' views on various survey questions. In addition, sending all survey participants a copy of the audit report once published is a good way to thank them for their contribution.

PART 1: THE AUDIT PROCESS
7 Tips for Conducting a Survey in a Performance Audit

Including an opinion survey in a performance audit can require a significant amount of time and resources. You should not approach this lightly. If you are going to do a survey, do it right: take the time, hire expertise, and think through all the possibilities. There is nothing worse than to realize, at the end of the audit, that you missed the opportunity to ask questions that would have provided crucial support for the findings of your audit report.

Find more information about conducting surveys
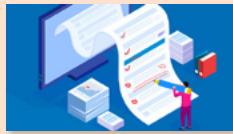
▶ **Companion *Voices from the Field* article:**
   Asking the Right Questions: Conducting Surveys
   in Performance Audits

WRITING AUDIT REPORTS »

4 Tips to Write Better Audit Reports

Today's technologies are changing how we communicate and access new information at breakneck speed. Smart phones, tablets and computers are significantly altering how we read and learn. Technology has also changed how reports are—or should be—written. Gone are the days of long, dry, dense reports. To keep people's attention—and keep people reading—we need to think differently about how we write and present information.

Here are just some of our principles that will help you write better audits:

1 Find your focus

Think about what you want to say before you start organizing and writing your report. Ask yourself: Why do I care? Why is this important? Why will citizens care? Who does this affect? How does it affect them? Once you've decided what you want to say, keep your message focussed.

2 Remember that less is always more

If you want people to read your reports—and understand what you are trying to say—you *must* make them concise. Use shorter, simpler, and *clearer* words. You don't need to be verbose to sound authoritative.

3 Write like you speak

Writing like you speak means using fewer words and keeping it simple! For example, instead of "adequate number of," why not use "enough"? Instead of "in view of the fact," just use "because"! Not sure if you are writing like you speak? Try reading it aloud.

4 Drop the jargon

Jargon makes writing less clear. Think about what you are trying to say and simply say it (or write it)! Come up with alternatives that are clearer, less wordy, and more specific. A "paradigm shift" is just "change" and "granularity" is simply "detail." If you can't avoid a specific term, at least explain it so that everyone knows what it means.

Learn more tips to write better reports

▶ **Course:**
   Effective Report Writing

PART 1: THE AUDIT PROCESS

DRAFTING AUDIT RECOMMENDATIONS »

10 Questions to Consider When Drafting Audit Recommendations

Drafting effective recommendations is a challenging task that requires much thought, discussion, and professional judgment. To ensure that their recommendations will lead to positive change, auditors can ask themselves the following questions at the drafting stage:

1 Is the recommendation addressed to the right organization (that is, the one that can actually implement it and make change happen)?

2 Is the recommendation aimed at the root cause of the issue or at its symptoms? (See our discussion paper on Root Cause Analysis for guidance on this topic.)

3 Is the recommendation consistent with the audit observations and with recommendations made in previous audit reports, where applicable?

4 Is the recommendation focused on an area of significant risk?

5 Is the recommendation succinct but detailed enough to stand alone?

6 Is the recommendation worded in such a way that it is not too prescriptive? (That is, the auditees retain the flexibility to decide the best means of implementing the recommendation.)

7 What is the cost and feasibility of implementing the proposed action? Are there alternative courses of remedial action that would be easier to implement or be more affordable?

8 Can the recommendation be implemented within a reasonable time?

9 What would be the impact on results, both positive and negative, if the recommendation were adopted?

10 Could successful implementation of the recommendation be reasonably determined in a follow-up audit?

In addition, auditors can inform their decisions on audit recommendations by seeking the audited organization's views on the actions that would be necessary to correct the identified deficiencies. By discussing audit recommendations with audited organizations before the completion of audit reports, auditors can increase the likelihood that their recommendations will be implemented and will lead to positive change.

Find more information on how audit institutions measure the impact of their audit recommendations
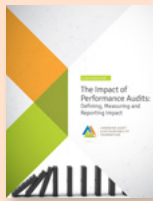
▶ **Discussion paper:**
   The Impact of Performance Audits: Defining, Measuring, and Reporting Impact

MANAGING AUDITEE RELATIONSHIPS »

8 Tips to Manage Relations with Auditees in the Time of COVID-19

As technology has evolved, auditors have gained flexibility in working remotely. The COVID-19 crisis has tested our ability to adapt quickly and use the technological tools at our disposal. In this new environment, managing relations with auditees requires an even higher degree of intuitiveness and interpersonal skills than usual. This Audit Tips edition offers guidance on how auditors can effectively manage relations with auditees during these challenging times.

1 Be Certain

Before starting any audit engagement, revisit your risk assessment and be certain of your audit office's strategic direction. Conducting an annual risk assessment is no longer enough— it must be done more frequently. It is important to reprioritize the auditee's top risks during times of crisis. Many audit offices are already updating their risk assessments due to this crisis, resulting in them discontinuing or reducing the scope of audit engagements. Ensuring that audit products going forward are still addressing relevant high-risk areas will also help build trust with the auditee.

2 Be Aware

Make extra effort to understand the auditee's roles and responsibilities prior to engagement. Although it may not be clear on an organization chart, the individuals you need to engage with during the audit may have been reassigned to address COVID-related issues or are supporting or back filling for those responding to the pandemic. You need to be aware of these realities and have discussions with the auditees about these changes when reviewing the risk assessment and developing the audit approach.

3 Be Realistic

To avoid frustration and damaging relations with the auditee, you need to be realistic about the impact that the new environment may have on audit timelines and delivery dates. Because many entities' activities and events are cancelled or delayed, naturally the completion of audits may also be compromised. Establish clear communication with the auditee so that any delays that may arise during the audit are quickly flagged and discussed. This will be beneficial for both the audit and the relationship with the auditee.

4 Be Informed

This is an excellent opportunity to get to know your auditees to the best of your ability. Because of social distancing, chances are that personal contact with your auditees will be limited, regardless of their responsibilities. Seize this opportunity to improve your understanding of the audited entities, especially how they respond to a crisis, and strive to find as much information as possible on your own to reduce the number of information requests sent to the auditees. This will provide your auditees with additional time to focus on their changing environment..

5 Be Flexible

As we all try to either get back to normal or create a new normal, we can all count on navigating change. Auditees will also be adapting to a new normal in their environment and workload. During the audit, you will need to provide extra flexibility to the auditee if you want to continue to preserve your relationship, as well as your reputation as a respectful professional. Expect that the auditee will request extensions and, sometimes, deferral. In a time of crisis, these types of delays are to be expected and flexibility is crucial.

6 Be Transparent

Demonstrating transparency with your auditee, especially during times of uncertainty and change, will help lay a foundation of trust. The goodwill generated will ensure that the relationship with your auditee remains productive. If you nurture a transparent relationship, then there is a much higher chance that the auditee will be transparent with you in return, providing you with timely information that will be critical in an audit environment where risks are being reassessed and audit products and approaches are being reexamined.

7 Be Honest

During these uncertain times, it may be more difficult for you to offer guarantees to the auditee. As the risk assessment continues to be reviewed, with environmental scanning constantly being updated, the audit scope and timeline could shift. To ensure that the auditee's trust is not damaged, be careful when communicating aspects of the audit that are still not clear. You will benefit from keeping your word on issues that you do have direct control over. For example, if you promise you'll share an early draft with the auditee, then you should make extra effort to honour that promise.

8 Be Human

As with most professionals, auditees have had to adjust their life and workload in this new environment. Managing successful relations requires that we find common ground with the auditees and connect with them on a human level by showing empathy and respect. With restricted personal contact, it may become even more difficult to receive timely compliance with audit requests. By establishing and maintaining a human connection with the auditees, there is a higher likelihood that you will remain on their radar.

During this time of uncertainty, managing relations with auditees will become even more challenging. However, if the audit community embraces this as an opportunity to become more familiar with the auditees' strengths and weaknesses, this investment will lead to stronger communication and responsiveness. And, over the long term, focusing on successfully managing relations with auditees will lead to more efficient and effective audits.

Find much more information on the audit profession's response to the COVID-19 pandemic

▶ *COVID-19 Audit & Oversight Resource Repository*

PART 2
Audit Themes

ORGANIZATIONAL CULTURE »

9 Red Flags to Look for When Auditing Organizational Culture

In essence, audits of organizational culture are about determining whether an organization's actual culture and behaviours conform to its professed, desired culture. This implies that the first requirement in a culture audit is to have a good understanding of the desired culture in the audited organization, including a clear picture of the expected behaviours that would embody this culture. From this point, auditors can proceed to identify areas where a gap between desired and actual behaviours could present significant risks to achieving an organization's objectives. During this risk assessment process, auditors should pay particular attention to red flags that may indicate cultural issues worth examining further.

These red flags can include, among others:

1 **Some financial or safety controls are frequently overridden.** This may indicate a cultural bias toward producing outputs at any cost, to meet unrealistic organizational targets.

2 **Failure to enforce codes of conduct** and related policies and procedures. For example, compliance violations are noted but bring no consequences.

3 **Mistrust of auditors and regulators,** and poor track record of implementing recommendations made by them.

4 **High rates of discontent** expressed in employee surveys, across the organization or in specific divisions.

5 **High rates of complaints** about the organization (or its personnel) filed by staff, clients, or the public.

6 **High staff turnover** and absenteeism rates.

7 **Long-standing unresolved issues are not addressed.** For example, when similar audit observations have been made many times over the years and no concrete actions have been taken to resolve the identified problem.

8 **Lack of actions or incentives** to support organizational values. For example, no actions are taken to improve gender equality despite a stated goal to that effect.

9 **Lack of alignment of performance incentives and metrics** with the organization's policies and values. For example, incentives may only reward the delivery of projects on time and on budget, while the organizational values emphasize excellence of products and quality of services.

Auditors can obtain information to support risk assessment and to identify red flags in various ways. They can start by reviewing previous audits and an organization's rate of implementing recommendations. They can also consult other financial and performance auditors who know the organization well and ask for their opinion on its culture. Next, they can review available information on the organization's values and ethical commitments before requesting and analyzing staff survey reports, human resources policies, performance incentives, documentation of exit interviews, minutes of key management meetings, and so on. Of course, conducting interviews with management to obtain additional information is also part of the usual risk assessment process.

> ## Learn more about auditing organizational culture
>
> ▶ **Research Highlights:**
> *Auditing Organisational Culture in the Public Sector*
>
> ▶ **Webinar** (Available to members only)**:**
> *Auditing Organizational Culture*
>
> ▶ **Webinar** (Available to members only)**:**
> *A Key Feature of Your Next Audit Plan: Auditing Culture in the Public Sector*

GENDER EQUALITY »

4 Facts You Should Know About Auditing Gender Equality

Gender inequalities are still deep-rooted in all countries and societies. They are the most pervasive, systemic, and structural of all inequalities—and they affect us all. For example, when girls and women do not have equal access to resources and equal opportunities to participate in decision making, their families, communities, and countries feel the significant social and economic costs. Audits can play a key role by determining whether governments are meeting their commitments, achieving planned results, and putting in place policies and programs that work.

Here are some things you should know when conducting an audit of gender equality.

1 Your audit of gender equality could generate substantial economic benefits

Despite being among the global leaders in gender equality, Canada still has much to gain. A 2017 report from the McKinsey Global Institute found that advancing women's equality in Canada has the potential to boost the country's annual GDP by $150 billion by 2026 a 0.6-percent increase in annual GDP. By making well-targeted recommendations for improvement, auditors can play a role in helping to generate economic benefits.

2 Governments need audits of gender equality to ensure that they are meeting their obligations

The Government of Canada has ratified the United Nations' Convention on the Elimination of All Forms of Discrimination against Women. It has also signed the Beijing Declaration and Platform for Action, which recommends that governments "seek to ensure that before policy decisions are taken, an analysis of their impact on women and men, respectively, is carried out." These international agreements create obligations and responsibilities for all signatory countries. Furthermore, the Canadian Charter of Rights and Freedoms guarantees equality before the law for every individual, without discrimination based on sex. The Constitution Act, 1982, Part II, guarantees Aboriginal and treaty rights equally to male and female persons. Additionally, many governments (federal, provincial and territorial, and municipal) have laws requiring employers to achieve employment equity to correct disadvantages faced by women and other designated groups. There is therefore ample legislation that auditors can use to assess compliance with gender equality requirements.

3 Your audit can ensure that data needed to achieve gender equality is available and reliable

The use of measurable and quantified goals, targets, and indicators is at the heart of achieving gender equality. It is critical to priority setting, evidence-based decision making, and transparency in reporting. In particular, gender-disaggregated data is essential. More specifically, targets and indicators are used by governments to:

- state the degree of change they are planning to accomplish and communicate this to citizens,

- establish the baseline, based on data, against which future progress can be tracked, and

- report on progress to ensure accountability to citizens and to international institutions.

Audits of gender equality should therefore assess:

- the targets and indicators the government chose to measure progress,

- the systems in place to collect reliable data and ensure its integrity,

- the way data is incorporated into decision-making processes, and

- public reporting on progress.

4 All audits can have a line of enquiry on gender equality

Audits can focus solely on gender equality, emphasizing the capacity and success of governments to achieve this goal. But they are not limited to that. Gender equality is a cross-cutting issue that can lead to improvements in the way a host of programs are designed and delivered, and results are achieved. Auditors can look at the program or activity audited with a gender lens and ask: Does it have aspects or dimensions that are gender sensitive? Examining these could result in important audit findings for legislators and governments.

Learn more about gender equality
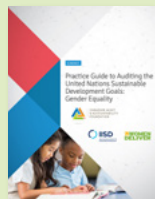
▶ **Practice Guide:**
Auditing the United Nations Sustainable Development Goals: Gender Equality

▶ **Course:**
Auditing Gender Equality

EFFICIENCY »

10 Indicators that Efficiency May Be at Risk

When reviewing documents, conducting interviews, or visiting sites during the planning phase of an audit of efficiency, performance auditors may come across information or situations that suggest that the achievement of efficiency is at risk in a given program or organization. In such cases, auditors should document their observations and obtain additional information as required. The following are some of the potential indicators that efficiency may not be optimized in an organization.

1 **There is a lack of performance information or insufficient attention is paid to available information.**

Basic information on inputs and output volumes may not be collected and analyzed; performance information may not relevant, reliable, complete and timely; or performance reports may not be made available to those charged with governance.

2 **Personnel are not deployed to foster efficiency.**

There may be a high staff turnover or a lack of training.

3 **Costs of activities and programs are not known, or are not regularly collected and reviewed.**

Some program cost information may be available, but the unit cost of each output is unknown; complete financial information may not be made available to those charged with governance.

4 **Controls are excessive in relation to similar well-managed organizations.**

There may be multiple signoffs required for routine, low-risk transactions.

5 **No (or limited) internal audit function.**

This may mean that the organization does not pay sufficient attention to management controls and their impact on efficiency.

6 **Program design does not support efficiency.**

There may be poor process flow and duplication of efforts or information. Review of key performance indicators and comparison with internal or external standards may identify issues.

7 **Opportunities for shared services have not been explored.**

The efficiency gains that could result from sharing back office services such as financial transaction processing, procurement, human resource management, and payroll functions may not have been assessed.

8 **Systems and processes do not make effective use of information technology.**

Files may be paper-based and hard copy documents form the basis of the systems and procedures.

9 **Senior management challenge of the status quo is not sufficiently rigorous.**

Formal comparisons of program efficiency against similar programs in other organizations may have not been undertaken to provide objective information for decision making.

10 **Standards of service are not met.**

Client complaints may be numerous and/or not addressed, there may be long waiting lists for services or backlogs of files, and there may be excess space (office, storage, and so on).

Learn more about auditing efficiency

▸ **Practice Guide:**
  **Auditing Efficiency**

ENVIRONMENT »

4 Ways to Increase the Impact of Environmental Performance Audits

Environmental pressures and degradation continue to be of concern. In Canada there are important environmental challenges. From declining biodiversity to contaminated drinking water, from the impacts of climate change to urban smog, from threatened aquifers to invasive species, communities and ecosystems from coast to coast in Canada are experiencing problems that need to be addressed. The good news is that performance audits constitute a great opportunity to bring about change, to have an impact, and to add value.

Here are some things you can do to increase the positive impact of an environmental performance audit:

1 Criteria: Go Beyond Compliance

Government environmental regulations are often based on minimum requirements. A plausible shortcut for auditors is to report on compliance with regulations, guidelines or policies. These provide an uncontroversial set of criteria that will be readily accepted by the organization audited and understood by the stakeholders. But because policy or regulatory requirements are often intrinsically minimal, this approach may be a missed opportunity to provide a high-impact audit that will make a positive difference. Performance audits can go beyond compliance by:

- using best practices as expectations against which to assess programs and departments,

- comparing the performance of audited entities with similar organizations in other jurisdictions, and

- measuring and analyzing outcomes and how they are trending.

2 Scope: Consider Linkages

Environmental issues are often connected. Adopting a sustainable development approach (i.e. one that considers the economy, the environment, and society) creates a wider perspective and is a good way of integrating the tapestry of linkages that often define environmental issues. Different audiences have different priorities, which may include the development of the economy, the creation and maintenance of jobs, and the protection of citizens' health and safety. If an environmental audit can show concrete links to these other issues, the resulting audit reports will appeal to a broader public and will not be easily dismissed as supporting impractical, one-sided visions.

3 Reporting: Use Audit Reports to Educate

Environmental questions are often complex and it may be necessary to explain important concepts in a report's introduction to help readers fully understand audit findings and their significance. For this reason, it is recommended that environmental auditors use the front end of their reports to educate the readers about relevant environmental issues, providing them with basic context and background information. It is an ideal place in the report to make the necessary links to any related key economic and social aspects.

Report authors should use plain language and avoid being too technical. Environmental audit reports that succeed in making complex topics accessible and that provide readers with new information are more likely to have an impact and to add value. Similarly, reports that help readers identify with the topic and care about the audit findings will have more influence. This can be achieved by using concrete case studies in the report. For example, cases studies about environmental quality in urban areas can be very effective, especially if they provide information about potential health impacts.

4 Recommendations: Strive to Have a Domino Effect

To increase the likelihood of making meaningful recommendations, auditors can aim to create a "domino effect." The domino effect refers to situations in which changes to one element of a system trigger changes in other elements of the same system; the effect is greater when systems elements are closely interlinked. For example, introducing a carbon tax will create a domino effect in society and in the economy since the tax is likely to lead to a reduction in the consumption of carbon intensive products, lower greenhouse gas emissions, increased use of public transport, better air quality, improved health for citizens, and lower health care costs. To maximize a domino effect, recommendations have to be targeted at a key point in the decision-making process—a trigger point that will generate a cascade of impacts onto many elements of the process or system.

Learn more about environmental performance audits

▶ **Discussion Paper:**
How to Increase the Impact of Environmental Performance Audits

OVERSIGHT »

10 Indicators that Oversight May Be at Risk

Assessing risk is an important task when selecting the most significant oversight issues to audit. You can review the information gathered early in the audit (governance structure, minutes of board or committee meetings, and so on) and determine whether it can help you identify indicators that oversight of the selected project, program, or service may be at risk.

Here are some common indicators that oversight may be at risk:

1 **A wholesale change of oversight body members** took place or turnover is very high.

2 **The oversight body does not (or rarely) question and challenge the managers** of the overseen initiative.

3 **The chair of the oversight body is overdominant** at oversight meetings.

4 **Conflicts of interests are a frequent occurrence** among the members of the oversight body and/or actions taken to manage known conflicts of interest are not documented.

5 **Oversight body members are involved in the day-to-day management of the overseen initiative** or there is no segregation of duties between the oversight body and the management of the initiative.

6 **The oversight body rarely meets** or holds short, orchestrated, perfunctory meetings.

7 **Oversight body members do not understand their roles**, are not aware of the scope of their oversight responsibilities and believe that many aspects are management's responsibility.

8   **Internal audit recommendations are not, or rarely, implemented**, or internal audit is being dismantled or outsourced.

9   **There are significant performance problems in the overseen initiative:**
poor performance against operational or strategic targets; significant delays and cost overruns; a high number of complaints, penalties, and fines; or risks that are escalating.

10   **There is a failure to take follow-up or corrective actions** when significant issues are brought to the attention of the oversight body.

While such indicators can be useful to target further examination work, their presence should not be indiscriminately accepted as evidence that an oversight deficiency exists. You must always gather sufficient appropriate evidence to support a cause-and-effect relationship before concluding that the presence of an indicator means that an actual deficiency exists.

Learn more about auditing oversight

▶ **Practice Guide:**
  Auditing Oversight

▶ **Webinar** (Available to members only)**:**
  Oversight in the Public Sector –
  A Webinar on Auditing Board Oversight

PART 3
Emerging Technologies

BLOCKCHAIN »

4 Opportunities Blockchain Technology Brings to Auditors

Blockchain technology was first introduced after the global financial crisis in 2008 as the underlying technology of the crypto-currency known as Bitcoin. Since then it has gradually been adopted by a number of actors in the economy and society. For public sector auditing, possible implications include profound changes in the management of data and digital assets by audited organizations. This will necessitate a re-thinking of evidence collection (i.e. what to collect and how) to reach conclusions at the level of assurance required by professional standards.

Here are some opportunities that this game-changing technology offers to auditors:

1   **Enhancing their knowledge of business of the organizations audited.**

There are multiple applications of Blockchain technology that are presently being developed specifically for government, such as tax collection, record management, voting, regulatory oversight, and identity management. Of course, other generic applications related to financial management and accounting, supply-chain management, cybersecurity, trade, and so on, will also be transferable to the public sector. Therefore, simply to understand how their auditees operate, public sector auditors will have to deepen their understanding of blockchain and how it is used in audited organizations.

2   **Ensuring the proper implementation of Blockchain applications prior to their deployment.**

Blockchain is designed to eliminate third parties while ensuring instantaneous and secure updates of records. In that context, it is expected that the need for periodic financial audits will be greatly modified and possibly reduced. However, Blockchain implementation can be vulnerable. Auditors could add considerable value by conducting IT audits that would address risks and ensure that proper and effective controls are implemented.

3   **Leveraging Blockchain capacity to deliver real-time financial information to provide timely assurance.**

Blockchain will enable auditees to monitor their processes continuously, supply an audit trail, and provide account analysis at the push of a button. In a Blockchain future, management could give a set of Blockchain digital "keys" to external auditors that would provide unprecedented access to detailed, time-stamped information about all transactions. Such access will significantly influence the audit strategies auditors will use.

4 **Developing a better capacity to use data.**

Blockchain will intensify an already data-centric digital environment. Organizations using Blockchain could have a powerful new set of reporting tools, complete with full transaction visibility, to manage and communicate their financial condition. Legislative auditors will have to continue and even accelerate their efforts toward acquiring and using better and more comprehensive data analytics skills to match the growing quantity and complexity of data produced by the audited organizations. This will require the usual strategies already deployed in this area: hiring more experts, developing expertise among audit staff through training and professional certification, and staying on top of the information systems' architecture and data holdings of audited organizations.

Learn more about Blockchain technology opportunities

▶ **Research Highlights:**
Blockchain and Audit: Overview of Potential Impact on Legislative Audit

DATA ANALYTICS »

6 Non-Technical Ways to Unlock the Value of Data Analytics

Auditors have been using data analytics in one way or another for over a decade, and yet most struggle to maximize the value this tool can offer.

While some audit organizations have matured over the years and gained tremendous value from using data analytics, others struggle to use data analytics consistently and obtain valuable results. Many audit organizations have also witnessed a decline in their performance after losing key employees that became data analytics experts through the course of their work.

What drives these variations in results?

There appears to be consensus on the actions that can be taken to increase the value gained from data analytics in a legislative audit office or an internal audit department. Surprisingly, to some, these actions are not centred around technology. Instead, they ask auditors to:

1 Demonstrate visionary leadership

The role of audit executives is to be advocates for their vision and to convince key team members to share in the same vision. The best performing audit organizations have leaders that are very clear on the role that data analytics will play in their success.

2 Focus on stakeholder satisfaction

Many auditors still do not recognize stakeholder needs and how critical it is to manage and satisfy stakeholder expectations. Many public sector organizations are very invested in data analytics and there is an expectation for auditors to do likewise.

3 Implement risk-based audits

Risk-based audits are a great way to ensure that your team is using resources optimally while adding value where it matters. In that context, data analytics is a useful tool to assess risks and flesh out for management their magnitude and how they can be mitigated. This emphasis on risk will maximize the value that could be derived from your investment in data analytics.

4 Use, share and repeat

Auditors document and standardize everything done in an engagement but many do not do the same with data analytics. There are tremendous efficiencies to be gained from sharing, reusing and making analytics repeatable. Don't reinvent the wheel.

5 Adopt a disciplined approach to data analytics

Great auditors always demonstrate superb discipline. They plan meticulously, scope rigorously, and validate their findings. This discipline and the underlying principles that drive it should be adhered to when using data analytics during the audit process.

Document obsessively and ensure that your data analytics procedures are well aligned with your audit strategy. It is critical that you don't succumb to the temptation of pursuing random juicy findings (what auditors often refer to as a 'fishing expedition').

6 Commit to staff development

The most effective data analysts are those that demonstrate critical thinking, not those that are more agile at using software. A focus on the contextual use of analytics software is key to obtaining value from an investment in people and technology.

All these actions are not about deploying fancy software, expensive hardware, and legions of data science experts. Non-technical factors can make or break your data analytics strategies. Implemented with determination and vigor these actions can be the building blocks that enable auditors to maximize the value they get from using data analytics and develop new insights into an organization's performance.

Learn more about data mining and artificial intelligence applications in an audit context
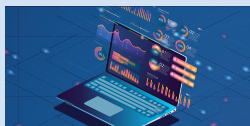
▶ **Webinar** (Available to members only)**:**
Creating Opportunities for Today: Connecting Data, Workflows and Results

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ARTIFICIAL INTELLIGENCE »

8 Facts Auditors Should Know About Artificial Intelligence

Artificial intelligence (AI) is an intriguing emerging technology. Rapidly adopted by the IT industry, it has found myriad applications in our economy and now appears to be ubiquitous. Its capacity to automate processes and extend the reach of the human mind is already causing profound changes in a number of fields, including auditing. AI is revolutionizing the audit profession by expanding the range and efficiency of audit evidence collection and analysis.

Here are some key facts that should be on the mind of auditors as they consider this technology:

1 AI is not a technology of the future, it's everywhere already.

Every day, announcements are made about the use of AI in new areas. For example:

- self-driving cars
- online search engines
- customized online purchases
- product customization by news and entertainment companies
- government weather forecasts
- virtual assistants on personal devices.

Many of these AI-driven innovations are now familiar to many consumers and are becoming run-of-the-mill technologies in various industries, while others are still in their infancy and very far from being proven, mainstream technologies. Auditors should stay informed of new AI developments and follow the adoption of AI applications in the public sector.

2 AI is not one but many technologies.

AI capabilities have diversified in recent years and can now be applied to various tasks. They encompass diverse technologies such as robotics, expert systems, natural language processing and predictive analytics. The most promising technologies for auditors are image recognition, speech recognition, and machine learning.

3 Image recognition can automate many tedious audit tasks.

Image recognition is possible because AI can process video and digital images mathematically and identify patterns emerging from the data. It can do inventory counts using a video camera attached to drones, identify and locate items, and even report on their condition. Such video analytics can be performed very efficiently, reviewing hours of recordings in a few minutes.

4 Speech recognition will change the way auditors do interviews.

Speech recognition aims to leverage streamed or recorded audio such as voice mails, phone calls, conference calls, interviews, management presentations, and recording of management or board of directors' meetings. Speech recognition software "understands" and analyzes grammatical and semantical language structures, taking into account accents, errors, and background noise. A promising audit application is the ability to accurately transcribe verbal recordings of interviews and testimonies, thus efficiently generating reliable transcripts of conference calls or interviews.

5 Machine learning can magnify the analytical capacity of auditors.

Machine learning uses algorithmic models to perform complex data analysis on large datasets without specific instructions. It is programmed to iteratively process the data and build mathematical models, in order to identify patterns and make predictions. Applications using this technology are emerging in the audit profession. For example, software that can read complex contracts, identify key terms, and correlate with transactions could identify patterns and instances of non-compliance.

6 Auditors need to upgrade their skills to master AI.

To audit and use AI, auditors will need the technical knowledge and tools to assess this technology and its impact on the economy, efficiency, and effectiveness of auditees. Therefore, auditors will have to hone and perfect skills they already have while acquiring new ones. The most relevant skills needed are:

- Understanding the strengths and limitations of AI technology. For example, it will be necessary to grasp the ramification of AI applications on an auditee's operations.

- Understanding and integrating data. AI will magnify the need for the audit skills required to perform data analytics.

- Performing reasoned analysis. The gradual automation of mechanical tasks will allow humans to focus on analysis – this will highlight the human capacity to sift information intuitively.

7 AI can be biased.

AI is based on code and is bound to reflect and even amplify the biases of coders. Concerns about AI biases are both a risk to auditees and a constraint on the use of AI in audits. Therefore, auditors could provide an essential safeguard against the negative effects of these biases by being wary of their impact on their work. To make the identification of bias easier, efforts are ongoing to try to identify, trace, and document the decision-making process of AI using deep learning – this will create an audit trail that can be reviewed and analyzed.

8 AI will not replace auditors, but it will make them more effective.

AI shines especially well when undertaking tedious tasks. The audit profession entails a number of "low-hanging fruits" in this respect: contract reviews, inventories, compliance reviews of transactions, and so on. AI can do all that better than humans. It is faster, efficient, and accurate, and can often review 100% of transactions (as opposed to only testing a sample). This can enhance and extend the role of humans, not eliminate it, because it will free auditors to focus on value-added tasks. Humans are still better than computers at telling the story behind the data and at making qualitative judgments that add value for auditees.

The roots of artificial intelligence in computer science go too far and its modern applications are too important for it to be a passing fad. It is already fundamentally changing our society and our economy. Despite its challenges, it will fundamentally change the way audits are conducted.

Learn more about artificial intelligence and auditing

▶ **Research Highlights:**
  Artificial Intelligence and Auditing: Overview of Potential Impact on Public Sector Auditors

▶ **Webinar** (Available to members only)**:**
  Using Artificial Intelligence in Audits

▶ **Webinar** (Available to members only)**:**
  Using Artificial Intelligence in Times of Crisis

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