



WEBINAR ON ROOT CAUSE ANALYSIS IN AUDITS

Additional Questions and Answers

This document presents the questions received from the participants during the webinar of April 14, 2020 and which could not be answered during the webinar's Q&A period for lack of time. The webinar speaker, **John Reed**, prepared answers to these questions, which we present here as a complement to the webinar.

1. What do you consider the most important tool or concept that you have spoken about today?

Let me start by remembering that during the webinar, I said the Main Categories of Possible Causes developed by the CAAF were unique and the underpinning of all the tools described in the webinar and in our resource materials.

These categories provide a structure for analyzing root causes, which can be used to guide the analysis, increase its depth, and keep our professional judgments in check (by reducing bias as we consider all categories, not just the one we already had in mind).

That said, to me the most important concept is adopting a "Root Cause Mindset". A root cause "mindset" is a state of mind where the auditor is constantly trying to get to the bottom of things, asking

"Why did this happen?"

"How did this situation develop in the first place?"

"Is it a symptom or is it a cause?"

If you have a root cause mindset from the start, choosing and applying the tools will be easier.

2. Do we need to have supporting evidence for the "cause" or is the cause just an intuitive thought about what's causing the problem?

Absolutely, yes, you need supporting evidence. The requirement to have sufficient appropriate evidence applies to everything that appears in an audit report.

It is true that there is an intuitive element to carrying out root cause analysis. Intuition has pros and cons as I discussed in the webinar. This is why having a structure for the analysis is so important. This is why, to me, the Main Categories of Possible Causes included in our [course](#) and in our [Discussion Paper](#) on root cause analysis are so important: they provide a structure to counterbalance intuition.

3. Are you aware of any AG offices that have root cause analysis already integrated in their audit process?

During the webinar, I talked about the Offices of the Auditor General of British Columbia and Alberta as two organizations that have integrated root cause analysis into their respective methodology.

Since that time, I've been told that INTOSAI, the Auditor General of South Africa, the Provincial Auditor of Saskatchewan, and the City of Calgary have all carried out audit work recently that involved root cause analysis.

4. How do you structure the audit report, if multiple observations have common causes which ultimately lead to common recommendations?

I'm glad this question was raised. The idea that many audit observations could be driven by one or a small number of root causes is really important. It probably reflects real life in some circumstance. For example, most of us can probably recall or an employee with a 'bad attitude', a problem employee who was at the heart of discontent and a host of other problems.

Also important is the idea that one or a small number of recommendations – if implemented as intended – could address and solve many observations simultaneously.

As to how to structure a report, I would start by creating a visualization or graphic for this. Maybe the spokes of a wheel would be the right model. Or maybe a convergent/divergent structure.

5. Is it not better to pose the 5 whys to the auditees rather than having the audit team try to figure these out, that way you avoid the cognitive biases?

This raises a really interesting point: the potential engagement of entities – including internal audit – in root cause analysis.

Some offices and audit practitioners hold the view that it is the role of management to determine root causes and implement appropriate corrective measures in response to observations made by the auditor.

Maybe it is not an either/or situation. Why not both? The audit office could engage management in root cause discussions, at appropriate times during the audit, as part of its overall approach to conducting root cause analysis.

It reminds me that, as an audit practitioner, it was my habit to always ask interviewees whether they had recommendations to suggest to us in relation to the subject matter. In this spirit, asking Why questions of entities in the course of an audit could become habit and part of a root cause analysis mindset.

6. Is it possible to see the cause maybe in using only one why?

I suppose in theory, yes. In practice though, I would think there would still be room for deeper probing.

7. Do you actually use causal analysis and fishbone diagrams in your actual audit engagements?

I don't have a good handle of the use of those tools in specific audits except the ones I've mentioned in the webinar. I've used the 5 Whys technique many times in audits, but I've have tended to plaster the wall with flip charts rather than using other visualization techniques. The idea is to run a 5 Whys many times against many observations. I think the important thing is to reveal the details – visually – so that you can also do pattern analysis.

8. Is there a model that shows where multiple causes intersect?

I want to address this question even though I don't have a good answer because I think the idea of multiple causes intersecting is important.

In the webinar, I definitely talked about multiple causes for a given observation or observations. The idea that these causes could intersect in some way – maybe causally, maybe not – probably makes the entire analysis tougher. But I am not aware of a model for illustrating this.

Should you have additional questions about our webinar or our Root Cause Analysis course, please contact us at: training@caaf-fcar.ca