

**Office of the Auditor General of Canada**

**Follow-up on Actions Taken by Management  
on Previous Practice Review and  
Peer Review Observations and Recommendations**

**March 2011**

**Practice Review and Internal Audit**

© Her Majesty the Queen in Right of Canada, represented by the Minister of Public Works and Government Services, 2011.

Cat. No. FA3-73/2011E-PDF  
ISBN 978-1-100-18681-8

## Table of Contents

<b>Introduction</b>	<b>1</b>
<b>Objective and Methodology</b>	<b>1</b>
<b>Observations</b>	<b>2</b>
<b>Overall Opinion</b>	<b>3</b>



## Introduction

1. At the request of the Audit Committee of the Office of the Auditor General (OAG), and in accordance with the Practice Review and Internal Audit Charter, the Practice Review and Internal Audit (PR&IA) team regularly follows up on actions taken by management on previous recommendations.
2. In 2009 and 2010, PR&IA issued reports providing a summary of the observations related to the practice reviews of the annual audits, performance audits, and special examinations conducted in the 2008–09 and 2009–10 fiscal years. In addition, in October 2008, PricewaterhouseCoopers and PR&IA conducted an assessment of the design of the OAG's quality management system (QMS). These reports included several recommendations for improving the design and implementation of the QMS and the application of professional standards in each audit product line. The reports also included a status update on the outstanding recommendations from prior years.
3. Moreover, in 2010, an international peer review team reviewed the OAG's quality management system to provide an independent opinion on whether the QMS was suitably designed and operating effectively to provide reasonable assurance that the Office's work complied with relevant legislative authorities and professional standards. The peer review team presented a report containing two recommendations and eight observations.
4. As of 30 November 2010, there were eighty-four outstanding recommendations issued from 2007 to 2010 by PR&IA as well as two recommendations and eight observations issued by the peer review team. In December 2010, management prepared a summary of the status of actions taken on these recommendations and observations, as well as management's planned disposition of the outstanding recommendations.

## Objective and Methodology

5. The objective of the current follow-up is to provide assurance on management's progress, as of November 2010, on implementing the recommendations issued by Practice Review and Internal Audit and the international peer review team.
6. PR&IA reviewed the information provided by management in order to confirm its summary of actions taken on completed recommendations and planned disposition of the remaining outstanding recommendations. The work was performed in accordance with the standards of the Institute of Internal Auditors and consisted of reviewing information and documentation, interviewing senior management, and obtaining additional information, when needed. The

team did not review the effectiveness of the actions taken to address the recommendations. This is done through the practice reviews and other related PR&IA work.

## Observations

7. After discussion with management, it was agreed to categorize the progress on outstanding recommendations as of 30 November 2010 into four categories:

- Completed
- To be addressed through the Renewal of Audit Methodology (RAM) project
- To be addressed through interim steps taken by the Annual Audit Practice before the RAM project is completed
- To be considered after the RAM project is completed

The following table outlines the revised status of management actions and planned disposition of the 94 recommendations and observations that had not been implemented by November 2010.

<b>As of 30 November 2010</b>
<b>65</b> recommendations/observations (70%) are completed.
<b>22</b> recommendations/observations (23%) are planned for disposition through the RAM project.
<b>6</b> recommendations/observations (6%) are planned to be addressed through interim steps taken by the Annual Audit Practice before RAM is completed.
<b>1</b> recommendation/observation (1%) may be considered after RAM is completed.

### Description of the categories and planned completion deadlines

8. Recommendations have been classified as completed where the actions committed by management have been taken to address the observations noted in previous reports. For the 65 recommendations that have been completed, no further follow-up action is required.

9. The purpose of the RAM project is to revise and update the audit methodology for all products and the OAG’s system of quality control. The project also includes revising and updating related audit tools and checklists, as well as delivering specific training. In addition, it has a change management component to ensure that the methodology is put into practice.

10. Management has established a target completion date of December 2011 for the following audit product streams: System of Quality Control, Performance Audits, and Special Examinations. The RAM for the Annual Audit Practice will be done in two phases. The first phase has been completed. Methodology compliant with Canadian Auditing Standards was prepared and training provided. Planning for the second phase was under way at the end of November 2010 and is expected to be completed by December 2012.

11. To address some recommendations of the Annual Audit Practice before December 2012, management has classified the follow-up as interim steps to be addressed before RAM is completed. It is management's intention to address these recommendations by December 2011.

12. Finally, the OAG has decided to consider the recommendation related to developing a governance guide and financial management criteria and sub-criteria for special examinations once RAM is completed. This work is considered a low-risk priority.

## Overall Opinion

13. Management has made good progress in addressing recommendations of the practice review reports and recommendations and observations of the peer review report. Based on the work performed, we can conclude that

- 65 recommendations have been implemented, and no further follow-up action is required; and
- 29 recommendations are still outstanding and in progress; the status of actions taken by management on these recommendations will be reviewed in subsequent follow-ups.