

WHAT TO EXPECT

An Auditee's Guide to
the Performance Audit Process



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

A message from the Auditor General

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WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

A message from the Auditor General

The underlying principles that guide the work of the Office of the Auditor General (OAG) are ensuring respectfulness, trust, and integrity, while maintaining our independence, professionalism, and objectivity.

Questions often arise about how we conduct our performance audits—more specifically, what the entities that we audit can expect from us and what we expect from them. The purpose of the accompanying information package is to provide answers to these questions by outlining

- our objectives,
- the principles governing interactions between auditors and auditees, and
- administrative information.

I hope that this information provides entity officials with a valuable reference that will encourage productive and respectful relations between audited entities and my audit staff.

The objectives of our relationships with the entities we audit are to

- make an ongoing and consistent effort to understand the context in which government departments and agencies do their work,
- promote open two-way communications, and
- act in a professional and objective manner.

Ultimately, the aim is to better serve Parliament by ensuring that our performance audit reports and recommendations are fair and objective and are seen to be fair and objective by those responsible for making the necessary changes in how the federal government manages public funds.

Information sheets on the following topics are also available:

- ▶ [Roles and responsibilities](#)
- ▶ [Interaction with departmental audit committees](#)
- ▶ [Access to entity information by the Office of the Auditor General](#)
- ▶ [Handling and treatment of information](#)
- ▶ [Long-term audit plan—One-Pass Plan](#)
- ▶ [Planning phase of a performance audit](#)
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- ▶ Developing and responding to recommendations
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WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

► Roles and responsibilities

This information sheet outlines what the Office of the Auditor General (the Office or OAG) expects of its audit teams and of the audited entities in the course of a performance audit.

The following roles and responsibilities may be supplemented by formal or informal administrative liaison arrangements or, in the case in some agencies, legal Memoranda of Understanding between the audit team and the audited entity.

What the audited entity can expect from the Office of the Auditor General

- Where the OAG has an ongoing and substantial audit presence in an entity, the responsible Assistant Auditor General or the Commissioner of the Environment and Sustainable Development, along with the responsible entity principal, will offer to provide an annual briefing to senior entity management and, if requested, the departmental audit committee. The briefing may cover both short- and long-term audit plans. The long-term plan covers five years and all OAG audit activities within the entity and is referred to as the One-Pass Plan.
- At the start of an audit, the OAG will formally notify the deputy head of the entity (by letter) of its intention to conduct an audit. At the same time, the OAG will request confirmation from the deputy head of the confidentiality and return of OAG numbered/controlled documents, such as the entity plan summary and draft chapters.
- Early in an audit, the audit team will provide the entity's OAG contact/liaison person with a list of names and security clearance levels of OAG and contract staff who will require access to the entity. If any changes to this list are required during the audit, the audit team will notify the entity's OAG contact/liaison person in a timely manner.
- The audit team will offer to hold an entrance meeting with entity officials, including the deputy head where appropriate, to launch the audit in the entity and to discuss the planned audit to gain a better understanding of the areas subject to audit.
- Within one month of the offer to hold an entrance meeting, the OAG will issue a letter to the deputy head or another senior management official requesting access under the powers provided by the *Auditor General Act* to, among other things, documents that may be subject to solicitor/client and other privileges. Consequently, disclosure of such "privileged" documents to the OAG does not amount to waiver of any privilege attached to the documents. As such, all documents disclosed to the OAG for these purposes will be treated in strict confidence, and all present administrative arrangements for the use of such documents will continue.



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- At its discretion, the audit team may request advice from the audited entity with respect to individuals who would be useful advisors on the audit. If the audit team has any concern about whether a potential advisor has a conflict of interest, it may seek the advice of the entity. Once the advisors have been selected, the audit team may provide the names to the entity for information purposes.
- Early in the examination phase of the audit, the OAG will issue, to the entity's OAG contact/liaison person, numbered/controlled copies of an entity plan summary, which includes the audit objectives, scope, methodology or approach, criteria against which the entity will be assessed, and the timetable. The OAG will provide the entity's management and, if requested, the departmental audit committee, an opportunity to discuss with OAG staff the proposed audit plan. At this time, the OAG will request management's formal acknowledgement of its responsibility for the program or area under audit and its comments on the suitability of the audit criteria.
- The audit team will facilitate ongoing and regular communication during the audit on changes to the entity plan summary (objectives, scope, approach, and timetable); audit progress, including emerging findings and potential recommendations; or any obstacles within the audited entity, to ensure that the audit work is done on time.
- Before issuing numbered/controlled copies of the principal's (PX) draft chapter, the audit team will offer briefings to entity management to seek their views on the validity/completeness of audit evidence, audit observations, conclusions, and recommendations, including corrective action to be taken. Discussions between the audit team and the entity will also be offered at various points during the reporting phase.
- After issuing the PX draft chapter, the audit team will again seek the views of the entity's management on the validity and completeness of audit findings (specified in the point above), as well as the audited entity's draft responses to recommendations.
- After receiving the comments from the audited entity and others (for example, third parties), the audit team will consider their substance and revise the PX draft chapter, as appropriate. The team will then submit a transmission draft chapter to the deputy head, which will include the audited entity's draft responses to recommendations, to obtain final comments and confirmation that the draft responses are final.
- The OAG will make every effort to resolve disagreements quickly, professionally, and respectfully.

What the OAG expects of audited entities

- After receiving formal notification of the audit, the entity is expected to identify one of its officials as the entity's OAG contact/liaison person for the audit. In addition, the deputy head is expected to acknowledge that the entity is required to respect the confidentiality of audit plans and draft chapters provided to it for review and to return them within one week of tabling of the report. Also, the Privy Council Office's [Guidance for Deputy Ministers](#) notes that one responsibility of deputy heads is to

ensure that their departments establish respectful, constructive working relations with the OAG and supply the information required for it to fulfill its mandate.

- The audited entity is expected to provide the audit team with free (open) access at all convenient times to audit information, reports, and explanations, as the OAG deems necessary to complete the audit.
- If an entrance meeting is held, the audited entity is expected to make every effort to ensure that the appropriate entity officials attend this meeting to discuss the planned audit, so that the audit team can gain a better understanding of the areas subject to audit.
- Within two weeks of receiving the solicitor/client privilege letter from the OAG, the deputy head or a senior management official with signing authority at the assistant deputy minister level is expected to sign and return the attached letter. This confirms that the audited entity will comply with any requests that the OAG makes for access to relevant documents under the control of the entity, including those documents to which solicitor/client or other privileges are attached.
- Within two weeks of receiving the entity plan summary, senior management of the audited entity is expected to acknowledge, in writing, the entity's responsibility for the areas and activities to be audited and will provide comments on the suitability of the criteria against which the entity will be assessed.
- The audited entity is expected to ensure that all its officials affected by the audit (as well as its departmental audit committee) are sufficiently briefed concerning the purpose, nature, and timetable of the audit in the entity as early as possible in the audit process.
- The relevant entity employees are expected to review and sign off on documented meeting and interview minutes prepared by the OAG, if the OAG indicates its intention to rely on such records as audit evidence during the audit.
- Entity management is expected to provide timely, consolidated, and coordinated comments and feedback concerning key aspects of the audit at appropriate decision points in the audit. This relates to audit plans; confirmation and validation of facts; and the observations, conclusions, and recommendations in draft audit chapters. It also includes discussion on corrective action to be taken. Although audited entities may comment on Main Points, conclusions, and recommendations in a chapter, the issues included in these sections are determined by the OAG.
- The audited entity is expected to make every effort to resolve disagreements quickly, professionally, and respectfully.
- The deputy head or other senior management of the audited entity is expected to provide draft responses to proposed recommendations, as modified following the confirmation and validation of facts in the principal draft chapter. Within 10 working days of receipt of the deputy minister transmission draft chapter, the deputy head will

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confirm whether the facts are accurate and presented fairly and whether the draft responses to the recommendations are final, or comment on areas of disagreement, if any.

- Within one week of tabling of a report of the Auditor General or the Commissioner of the Environment and Sustainable Development in the House of Commons, the audited entity is expected to return all numbered/controlled copies of the entity plan summary and draft chapters and, where applicable, other audit documents. These include, where applicable, such documents as draft management letters for matters of lesser importance than those reported in the chapter but on which the OAG believes entity officials need to follow up and take corrective action.
- The audited entity is also expected to immediately inform the OAG if any numbered/controlled audit document is lost or made public.

Additional resources

- [Auditor General Act](#)
- Communiqué (TBS-OAG): Office of the Auditor General's Access to Records and Personnel for Audit Purposes, emailed to deputy heads on 7 August 2007
- Privy Council Office's [Guidance for Deputy Ministers](#)

Related information sheets

- ▶ [Long-term audit plan—One-Pass Plan](#)
- ▶ [Planning phase of a performance audit](#)
- ▶ [Examination phase of a performance audit](#)
- ▶ [Reporting phase of a performance audit](#)
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Roles and responsibilities

OAG	Audited Entity
Ongoing	
<p>Where the OAG has an ongoing and substantial audit presence in an entity, the responsible Assistant Auditor General or the Commissioner of the Environment and Sustainable Development, along with the responsible entity principal, will offer to meet annually with senior management of the entity and, if requested, the departmental audit committee, to build an understanding of key and emerging issues and to discuss short- and long-term audit plans. They will also discuss the general working relationship between the OAG and the entity, which includes clarifying the nature of the OAG's access to documents, as necessary.</p>	<p>The entity is expected to provide the OAG with the information needed and discuss matters of mutual interest.</p>

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Roles and responsibilities

OAG	Audited Entity
Audit notification	
<p>At the start of a performance audit, the audit team will</p> <ul style="list-style-type: none"> • notify the deputy head (by letter) of the OAG's intention to conduct an audit, and will request confirmation of the confidentiality of OAG numbered/controlled documents, such as the entity plan summary and draft chapters, and their return within one week of tabling of the report; • provide the entity's OAG contact/liaison person with the names and security clearance levels of OAG and contract staff initially assigned to the audit who will require access to the entity; if any changes to this list are required during the audit, the audit team will notify the entity's OAG contact/liaison person in a timely manner; and • offer to hold an entrance meeting with entity officials, including the deputy head where appropriate, to launch the audit in the entity and to discuss the planned audit in order to gain a better understanding of the areas subject to audit. In advance of the meeting, the audit team notifies the audited entity of the main topics to be discussed, including the preferred language(s) of communication, especially regarding audit documents provided to the audited entity. 	<p>The deputy head is expected to</p> <ul style="list-style-type: none"> • confirm, in writing, that controlled documents, such as the entity plan summary and draft chapters, will be treated in a confidential manner and returned within one week of tabling of the report; and • inform those in the entity who need to know about the audit, as well as the departmental audit committee. <p>The OAG contact/liaison person is expected to inform those in the entity who need to know the names and security clearance levels of OAG and contract staff. The audited entity is expected to provide the audit team with free (open) access at all convenient times to audit information, reports, and explanations, as the OAG deems necessary to complete the audit.</p> <p>If an entrance meeting is held, the entity is expected to ensure that the appropriate entity officials attend this meeting to discuss the planned audit and topics for discussion so that the audit team can gain a better understanding of the areas subject to audit. The OAG contact/liaison person is expected to inform the audit team of the preferred language(s) of communication, especially regarding audit documents provided to the audited entity.</p>

Roles and responsibilities

OAG	Audited Entity
Within one month of the offer to hold an entrance meeting	
<p>The audit team sends a solicitor/client privilege letter to assure the deputy head or other senior management that when the OAG requests access to documents that may be subject to solicitor/client or other privileges, it does so pursuant to its powers under the <i>Auditor General Act</i>. Consequently, the audited entity's disclosure of such documents to the OAG does not amount to a waiver of any privilege attached to the documents.</p>	<p>Within two weeks of receiving the solicitor/client privilege letter, the deputy head or a senior management official with signing authority at the assistant deputy minister (ADM) level is expected to sign the attached letter, send a copy to those in the entity who need to know, and return the letter to the OAG.</p>
<p>The audit team may, at its discretion, request advice from the audited entity with respect to individuals who may be useful advisors on the audit. If the audit team has any concern about whether a potential advisor has a conflict of interest, it may seek the advice of the entity. Once the advisors have been selected, the audit team may provide the names to the entity for information purposes.</p>	<p>When requested, the entity is expected to provide advice to the audit team on potential advisors for the audit. The entity may wish to consult with its departmental audit committee on this matter.</p>

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Roles and responsibilities

OAG	Audited Entity
Early in the examination phase	
<p>The audit team prepares an entity plan summary that outlines the objectives, scope, approach, and criteria of the audit, and sends numbered/controlled copies of it to the entity's OAG contact/liaison person to coordinate comments on the suitability of the criteria and on management's responsibility for the subject area.</p>	<p>The entity is expected to</p> <ul style="list-style-type: none"> • track the internal distribution of the entity plan summary copies received, subsequently retrieve them when requested, and return them to the OAG within one week of the report being tabled in the House of Commons; • acknowledge in writing, within two weeks of receipt of the entity plan summary, the entity's responsibility for the areas and activities to be audited and provide comments on the suitability of the criteria against which they will be assessed; and • ensure that all its officials affected by the audit (as well as its departmental audit committee) are sufficiently briefed on the purpose, nature, and timetable of the planned audit in the entity as early as possible in the audit process.
During the examination phase	
<p>The audit team asks the appropriate entity staff to sign off on documented meeting and interview minutes, if there is an intention to rely on such records as audit evidence. Such minutes would normally be sent to the appropriate entity staff within five working days of the meeting.</p>	<p>Entity staff are expected to comment and sign off, when requested, on meeting and interview minutes expeditiously (normally within five working days).</p>
<p>The audit team informs the audited entity, in writing, of any significant changes to the entity plan summary (objectives, scope, approach, criteria, and timetable) and provides a rationale for the changes. Where appropriate, a revised entity plan summary would be issued.</p>	<p>Entity officials are expected to provide comments, in writing, on the changes to the entity plan summary.</p>

Roles and responsibilities

OAG	Audited Entity
During the examination phase (continued)	
The audit team shares facts with entity management and asks for confirmation.	Entity officials are expected to examine all statements of fact and confirm their correctness or, if the facts are incorrect or incomplete, provide the correct or complete information along with appropriate supporting evidence.
The audit team periodically offers to brief entity officials, senior management, and if requested, the departmental audit committee on emerging findings throughout the examination phase. The team also encourages a discussion of proposed recommendations as they are developed.	Entity officials are expected to participate in the briefings to understand the nature and the implications of the findings and the proposed recommendations and to obtain answers from the OAG to any questions. (Such briefings may include the participation of the deputy head or other senior management as well as the departmental audit committee, when appropriate.)
During the reporting phase	
The audit team sends numbered/controlled copies of the principal's (PX) draft chapter to the entity's OAG contact/liaison person to coordinate comments by parties responsible for audited areas. For a single entity audit, this normally occurs about 20 weeks before the scheduled tabling day of the related Auditor General's Report. The expected date of issuance would be indicated in the entity plan summary.	<p>The entity is expected to review the draft and provide the OAG with the entity's position on</p> <ul style="list-style-type: none"> • facts in dispute, if any (accompanied by all supporting evidence in the audited entity's possession); and • accuracy of text. <p>The entity is expected to deliver its consolidated and coordinated comments within agreed timelines, usually three weeks.</p>
The audit team keeps a record of entity staff to whom draft chapters and other numbered/controlled documents are given, requests the return of the documents once the report has been tabled in Parliament, and keeps a record of which copies are returned.	The entity is expected to track the internal distribution of draft chapters and other numbered/controlled documents received, retrieve them when requested, and return them to the OAG within one week of the report being tabled in Parliament.
The audit team discusses and attempts to resolve issues raised in the entity's comments quickly, professionally, and respectfully.	Within agreed timelines, the entity is expected to discuss and attempt to resolve issues with the audit team quickly, professionally, and respectfully.

Roles and responsibilities

OAG	Audited Entity
During the reporting phase (continued)	
<p>About four weeks after issuing the PX draft chapter, the Assistant Auditor General (AAG) or Commissioner of the Environment and Sustainable Development (CESD) offers to meet with the deputy head or other senior management (usually at the ADM level), as appropriate, to discuss the draft recommendations.</p>	<p>The entity is expected to discuss the suitability and practicality of the draft recommendations and its probable responses to them.</p>
<p>Within one week of the above-noted meeting, the OAG sends a letter to the deputy head or other senior management (usually at the ADM level) that includes all the draft recommendations (modified, as appropriate, to reflect the earlier discussions) and requests the audited entity's draft response within three to four weeks. This letter is issued as a numbered/controlled document.</p>	<p>The deputy head or other senior management of the entity is expected to provide written responses to the draft recommendations within three or four weeks in accordance with the OAG's expectations for entity responses.</p>
<p>The audit principal prepares the deputy minister (DM) transmission draft chapter to reflect the discussions with the entity, as appropriate. The AAG or CESD sends numbered/controlled copies of the DM transmission draft chapter, in both official languages, to the deputy head for comment. For a single-entity audit, this normally occurs about nine weeks before the scheduled tabling of the report. The expected date of issuance would be shown in the entity plan summary.</p>	<p>The deputy head is expected to confirm, within 10 working days, that the facts are accurate and presented fairly and that the draft responses to the recommendations are final, or to provide comments on areas of disagreement, if any.</p>

Roles and responsibilities

OAG	Audited Entity
During the reporting phase (continued)	
<p>The audit team communicates in a timely manner (usually within one month of the tabling date of the audit chapter) with either the deputy head or the head of the internal audit function, as appropriate, about management issues not included in the audit chapter. It is expected that the audit team would have discussed most, if not all, of these management issues with entity officials during the confirmation and validation of facts process for the chapter. If the OAG communicates these management issues through a formal letter, then a similar process of confirmation and validation of facts for these issues would take place.</p>	<p>The entity is expected to acknowledge communication of the management issues, discuss them with the audit team, and issue a written response when requested.</p>

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WHAT TO EXPECT

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► Interaction with departmental audit committees

Background

In April 2006, a new [Treasury Board Policy on Internal Audit](#) and related instruments came into effect. The policy is being phased in over a three-year period and calls for a review of the implementation to be conducted six months prior to April 2009, to determine if changes to the policy are required. The policy applies to departments and agencies defined as departments within the meaning of section 2 of the [Financial Administration Act](#).

Among other measures, the policy calls for the deputy head of each department, other than small departments and agencies, to establish a departmental audit committee that includes a majority of external members who are not current members of the federal public service. The Treasury Board has also approved a directive that provides direction to deputy heads on the responsibilities, membership, and operations of departmental audit committees. (It has also approved the [Directive on Small Departments and Agencies Audit Committee](#), which includes similar provisions.) The Treasury Board of Canada Secretariat is drafting guidance to help committee members exercise their responsibilities.

Departmental audit committees are not charged with any departmental management or governance responsibility or authority but serve as advisors to the deputy head or equivalent. According to the Treasury Board of Canada Secretariat, the fundamental role of these audit committees is to support the deputy head or equivalent in fulfilling his or her oversight responsibilities as the departmental accounting officer by providing advice on the adequacy of the department's control and accountability processes.

The Office of the Auditor General (the Office or OAG) welcomes and supports initiatives to strengthen departmental oversight, including a requirement for external membership on departmental audit committees.

What departmental audit committees can expect from the Office of the Auditor General

The OAG wants to work with departmental audit committees while maintaining its objectivity and preserving its independence from government. When senior OAG staff are invited by the committee chair to appear at committee meetings as observers, they will make every effort to attend these meetings. To that end, it is important that the Office is notified of the committee's meeting schedule and, where applicable, that the committee's work respects the Office's timelines for finalizing its audit reports.

The Office welcomes the opportunity to inform departmental audit committees about its audit plans and encourages and appreciates receiving their input thereon. It also welcomes



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the opportunity to discuss its audit reports with the departmental audit committees to explain audit findings after entity management has had the opportunity to confirm and validate the facts.

The Office encourages departmental audit committees to play an active role in reviewing and assessing the adequacy of entity's responses and action plans, and in monitoring the implementation of audit recommendations.

The deputy head may share OAG audit information with members of the departmental audit committee and is accountable for ensuring that this is done in a manner that protects the confidentiality of the information. In the case of numbered/controlled documents, it is the deputy head's responsibility to ensure that information is shared in a manner that complies with the letter (Entity Notification and Custody of Drafts) that he/she signs at the beginning of the audit.

The Office welcomes the committee's views on the content of OAG audit documents. However, with respect to draft audit reports, the Office will not confirm and validate fact-based audit information with departmental audit committees as these documents are finalized through the normal OAG process with appropriate entity officials.

It is reasonable to anticipate that newly constituted departmental audit committees will need a certain period of time to achieve their full role and functions. The manner in which the OAG interacts with departmental audit committees may need to be updated once the Office starts expressing an opinion on departmental financial statements and/or as experience in the operation of the committees is gained.

Additional resources

- [Directive on Departmental Audit Committees](#)
- [Directive on Small Departments and Agencies Audit Committee](#)
- [Financial Administration Act](#)
- [Treasury Board Policy on Internal Audit](#)

Related information sheets

- ▶ [Roles and responsibilities](#)
- ▶ [Access to entity information by the Office of the Auditor General](#)
- ▶ [Handling and treatment of information](#)
- ▶ [Long-term audit plan—One-Pass Plan](#)
- ▶ [Planning phase of a performance audit](#)
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Interaction with departmental audit committees

OAG	Audited Entity
When senior OAG staff are invited by the committee chair to appear at departmental audit committee meetings as observers, they will make every effort to attend these meetings.	The secretary of the departmental audit committee is expected to notify OAG staff of the committee's meeting schedule and to inform the Office when it is invited by the committee chair to attend a committee meeting.
The OAG welcomes the opportunity to inform the departmental audit committee about its audit plans.	The work of the departmental audit committee concerning OAG matters is expected to respect the Office's timelines for finalizing its audit reports, where applicable.
The OAG welcomes the opportunity to discuss its audit reports with the departmental audit committee to explain audit findings after entity management has had the opportunity to confirm and validate the facts.	When the opportunity arises, the departmental audit committee is expected to provide input on OAG audit plans as it deems appropriate, and to discuss matters of mutual interest.
The OAG encourages the departmental audit committee to play an active role in reviewing and assessing the adequacy of entity responses and action plans, and in monitoring the implementation of audit recommendations.	The departmental audit committee is expected to actively review and assess the adequacy of entity responses and action plans, monitor the implementation of audit recommendations, and advise the deputy head accordingly.
The OAG provides its audit documents directly to appropriate entity officials who may, at their discretion, share them with the departmental audit committee.	<p>The deputy head is expected to be accountable for ensuring that OAG audit information that the entity shares with the departmental audit committee is protected in a manner that ensures the confidentiality of the information.</p> <p>In the case of OAG numbered/controlled documents, the deputy head is expected to be responsible for ensuring that information is shared in a manner that complies with the letter (Entity Notification and Custody of Drafts) that he or she signs at the beginning of the audit.</p>

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▶ Access to entity information by the Office of the Auditor General

In accordance with federal legislation, this information sheet outlines Office of the Auditor General (the Office or OAG) audit teams' right of access to information, documents, and staff in audited entities, as needed to fulfill the OAG's audit responsibilities.

What access includes

- OAG auditors are entitled to receive all information that they determine is relevant and necessary to enable them to carry out their audits and examinations. Auditors require documents, reports, and explanations from members of the public service and from officers, employees, or agents. Such information may be provided in electronic and/or hard copy format, as appropriate and applicable in the circumstances.
- The fact that a document is not accessible to the public, through an access to information request, is not a valid reason for denying access to the Auditor General's staff. The provisions of the *Access to Information Act* do not apply to the Auditor General's access to information for audit purposes.
- OAG auditors are entitled to access documents that may be subject to solicitor/client and other privileges. To ensure that this access does not affect the privilege attaching to the documents, the OAG makes a formal written request for access to such documents, pursuant to the *Auditor General Act* (the "solicitor/client privilege letter") and undertakes to respect the confidentiality of the information. An appropriate senior management official of the entity responds in writing that the entity will comply with its duty under the Act and that provision of the documents to the OAG will not constitute a waiver of any privilege attached to the documents.
- Memoranda to Cabinet or records of Cabinet decisions and Treasury Board submissions or decisions are made available to the Auditor General through a separate process involving the Privy Council Office or the Treasury Board of Canada Secretariat, as appropriate.

An audited entity is responsible for identifying to OAG auditors, upon request, the memoranda to Cabinet, Cabinet decisions, and Treasury Board submissions and decisions that relate to the audit, so that the auditors may request them directly from the Privy Council Office or the Secretariat. The Auditor General's access to these types of Cabinet confidences is set out in two orders-in-council: PC#1985-3783 and PC#2006-1289. All documents not of this type are readily accessible by OAG auditors.

- As the OAG auditors identify the information they need and who they need to interview, the audited entity is to give them access. The information that the audited entity should supply, upon request, includes all forms of communication—written,



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visual, auditory, and electronic—whether they be in final or draft form, with the exception of draft Treasury Board submission material. This includes but is not limited to any relevant correspondence, memorandum, book, report, plan, map, drawing, diagram, analysis, survey, pictorial or graphic work, photograph, film, microfilm, sound recording, video tape, or machine readable record. Auditors may take extracts and make photocopies of the information, unless its security classification dictates otherwise.

The Privy Council Office's *Guidance for Deputy Ministers* emphasizes that the deputies' role includes ensuring that their departments establish a respectful and constructive working relationship with bodies such as the OAG and that the audited entities supply the information those bodies need to fulfill their legislative mandates.

- It is important that, when the audit team identifies entity staff for an interview, the staff be made available. It is not an acceptable practice for the entity to inappropriately coach staff prior to an interview or filter information requested by the OAG. As a general rule, only the entity staff members who are being interviewed should be present during the interview in order to encourage candour and completeness in their responses. Under certain circumstances, the audit team and the audited entity may agree that it is appropriate to have observers present at an interview.

When access should be given

- Access to information begins once the entity has been notified of the start of a performance audit or of the One-Pass Planning exercise. Access to privileged information begins once an appropriate senior official of the audited entity has responded to the OAG's solicitor/client privilege letter.
- Timely access to information is essential for the Auditor General to meet her reporting obligations to Parliament. It can be affected by such factors as the format and location of the requested information or the availability of an individual. Nevertheless, entity officials should instruct their employees to make themselves and information available, as they would for any other important business of the entity. OAG requests for information should be responded to expeditiously. As a guide, information that is easily accessible should normally be provided within five working days of the request. For less readily available information, the audited entity should provide the information within a time frame agreed on as reasonable between the audit team and entity officials. An agreed on time frame, for example, may be necessary for receipt of requested documents, if retrieving them requires additional work (for example, creation or manipulation of data) or if there is a need to recover information from archives. The audit team maintains a register of documents requested and received during an audit.
- Auditors who encounter problems obtaining information during an audit will report the problems to the audit team management. If the problems continue, the audit team

management will attempt to resolve the issue with the entity's OAG contact/liaison person, or, if necessary, with the entity's senior management.

- In some circumstances, a delay in providing requested documents or information can amount to a denial of access, creating a government-imposed limitation on the scope of an audit. The Auditor General is required by professional standards and by the [Auditor General Act](#) to report such cases to Parliament.

How security is managed

- Audit team members have access to an audited entity's information, for which they have the required level of security clearance, and to individuals, who can provide the information. Auditors must comply with the same security arrangements that apply to the audited entity's employees.
- At the start of an audit, the audit team will provide the entity's OAG contact/liaison person with the names and security clearance levels of Office and contract staff initially assigned to the audit. If there are any changes required to be made to this list during the audit, the audit team will notify the OAG contact/liaison person in a timely manner.
- The numbered/controlled audit documents, such as the entity plan summary and draft chapters, which the audit team provides to the audited entity during the audit, are protected documents. They must be returned to the OAG within one week after the Auditor General or the Commissioner of the Environment and Sustainable Development has tabled the related report in the House of Commons. Entity staff must ensure that these documents are not photocopied and that their contents are treated with appropriate discretion. Disclosing the Auditor General's findings, prior to tabling, is viewed as an infringement of the rights and privileges of Parliament.

Additional resources

- [Access to Information Act](#)
- [Auditor General Act](#)
- Communiqué (TBS-OAG): Office of the Auditor General's Access to Records and Personnel for Audit Purposes (distributed by email to deputy heads on 7 August 2007)
- Order-in-Council PC#1985-3783 dated 27 December 1985
- Order-in-Council [PC#2006-1289](#) dated 6 November 2006
- Privy Council Office's [Guidance for Deputy Ministers](#)

Related information sheet

- ▶ [Glossary of terms](#)

WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

► Handling and treatment of information

One of the underlying principles of the auditing profession is a duty of confidentiality with respect to the affairs of the entity subject to audit. The Office of the Auditor General (the Office or OAG) ensures the confidentiality of its audited entities' documents in a number of ways.

The OAG makes every effort to ensure that audit information is kept in its direct possession. For all information that the auditors receive from an audited entity, the auditors must, as a minimum, comply with the same security arrangements that apply to employees of that entity. The OAG's Code of Values, Ethics, and Professional Conduct requires that all staff be familiar with the security aspects of their work and consider it an important and essential individual responsibility.

The *Access to Information Act*, Section 16.1 (1), requires the Auditor General of Canada to refuse to disclose any record requested under the Act that contains information obtained or created by the Office or on its behalf in the course of an investigation, examination, or audit conducted by the Office or under its authority. Members of the public cannot obtain access to entity plan summaries, draft audit reports/chapters, or other audit documents, such as audit working papers, held by the Office. This is why OAG audit documents that are circulated externally are numbered and why the Office asks that they be returned within one week after tabling of the relevant report in Parliament.

Early in the audit. Early in a performance audit, the audit team will provide the audited entity's OAG contact/liaison person with the names and security clearance levels of OAG and contract staff who will require access to the entity. If any changes are required to be made to this list during the audit, the audit team will notify the entity's OAG contact/liaison person in a timely manner.

The OAG will also issue a letter to the deputy head or other senior management requesting access under the powers granted by the *Auditor General Act* to, among other things, documents that may be subject to solicitor/client and other privileges. The deputy head or other senior management responds in writing that the entity will comply with its duty under the Act and that provision of the documents to the OAG will not constitute a waiver of any privilege attached to the documents. The exchange of letters maintains the privileged nature of the information provided to the OAG for audit purposes. The OAG respects the confidentiality of the documents and does not refer to them in its reports.

Examination phase. Early in the examination phase of the audit, the OAG provides entities subject to audit with a report (entity plan summary) on the objectives, scope, approach, and criteria of the audit. The OAG sends numbered/controlled copies of this report on



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the Office's "protected" red-bordered paper to the entity's OAG contact/liaison person. This person coordinates comments on the suitability of the criteria and the entity management's responsibility for the subject area.

Reporting phase. During the reporting phase of the audit, the OAG initially sends copies of the principal (PX) draft chapters to audited entities for confirmation and validation of facts. These draft chapters are numbered and printed on the Office's "protected" red-bordered paper and are normally distributed through the entity's OAG contact/liaison person.

Audited entities are required to consider the entity plan summary, draft audit chapters, and other audit documents as "controlled" documents and to respect the confidentiality of their contents.

After tabling of the report. Audited entities are required to track the internal distribution of all controlled documents and return them to the OAG no later than one week after tabling of the report. Audited entities are no longer permitted to destroy or shred such documents. In addition, they are expected to immediately inform the OAG if any numbered/controlled audit document is lost or made public.

Additional resource

- [Security Policy Implementation Notice \(SPIN\) #2007-04, dated 6 November 2007, Subject: Handling and Safeguarding of Office of the Auditor General Drafts and Other Documents](#)

Related information sheets

- ▶ [Roles and responsibilities](#)
- ▶ [Access to entity information by the Office of the Auditor General](#)
- ▶ [Planning phase of a performance audit](#)
- ▶ [Glossary of terms](#)

WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

▶ Long-term audit plan—One-Pass Plan

The Office of the Auditor General (the Office or OAG) entity principal and his/her audit team prepare a long-term plan that typically covers five years and all OAG audit activities within the entity, which the OAG refers to as the One-Pass Plan (OPP).

The OPP is a planning tool based on risk assessment that the OAG uses to

- focus OAG resources on the areas of significance and of a nature that should be brought to the attention of Parliament;
- promote consistency in planning systems and practices across OAG audit teams and product lines; and
- focus the audit selection process on identifying key entity and functional area risks, as well as OAG priorities and focus areas.

In preparing a One-Pass Plan, the audit team will review key entity documents such as corporate plans, integrated risk management framework, performance reports to Parliament, and other reports. It will also review internal audit and program evaluation reports as well as the entity's annual and long-term audit and evaluation plans to avoid unnecessary duplication or overlap. The audit team will also interview entity senior management and officials of the entity, both at headquarters and in regional or other entity offices, as required, as well as key external stakeholders, when deemed appropriate. Where potential audit issues cut across other departments and agencies, the audit team will also seek to interview appropriate senior officials in these other entities.

Where the OAG has an ongoing and substantial audit presence in an entity, the responsible Assistant Auditor General or the Commissioner of the Environment and Sustainable Development, along with the responsible entity principal, will offer to meet annually with senior management of the entity and, if requested, the departmental audit committee, to build an understanding of key and emerging issues and to discuss short- and long-term audit plans. They will also discuss the general working relationship between the Office and the entity, including clarifying the nature of the OAG's access to documents, as necessary.

Audit risks and any extenuating circumstances (for example, pending legislative or regulatory approvals or changes) that may require changes to future audit plans will also be important subjects for discussion. Another subject for discussion may be the OAG's assessment of risks compared with those identified by the entity.

Related information sheet

- ▶ [Glossary of terms](#)



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Steps in preparing the One-Pass Plan

OAG	Audited Entity
At the start of the One-Pass Planning (OPP) exercise, the OAG informs the deputy head by letter of its intention to carry out a systematic and risk-based review to determine the OAG audit work that needs to be done in the entity over the next few years to fulfill the OAG's responsibilities under the <i>Auditor General Act</i> .	The deputy head or other senior management is expected to inform those in the entity who need to know about the One-Pass Planning exercise, as well as the departmental audit committee.
The OAG reviews key entity documents and interviews the entity's senior management officials at headquarters and in regional or other entity offices, as required, for the One-Pass Planning exercise.	The deputy head or other senior management is expected to provide the requested documents and participate in interviews as requested.
<p>Where the OAG has an ongoing and substantial audit presence in an entity, the responsible Assistant Auditor General or the Commissioner of the Environment and Sustainable Development, along with the responsible entity principal, will offer to meet annually with entity senior management and, if requested, the departmental audit committee, to build an understanding of key and emerging issues and to discuss short- and long-term audit plans. They will also discuss the general working relationship between the Office and the entity, which includes clarifying the nature of the OAG's access to documents, as necessary.</p> <p>The OAG revises the OPP, as necessary, based on additional information received at the annual meeting or that otherwise comes to the OAG's attention.</p>	The deputy head or other senior management is expected to provide the OAG with the information needed and discuss matters of mutual interest.

WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

► Planning phase of a performance audit

In the planning phase of a performance audit, the audit team of the Office of the Auditor General (the Office or OAG) acquires appropriate knowledge of the audited entity, the activities, or programs to be audited, and current issues facing the entity. Based on that knowledge, the audit team develops an examination plan as a basis for conducting an orderly, efficient, and cost-effective audit.

Some general points of information are the following:

- The level of the entity officials participating in audit meetings and briefing sessions will depend on such factors as the subject matter for discussion and availability of individuals. However, we believe that it is important that the deputy head of the audited entity be sufficiently briefed on both planned and current audit work.
- To reinforce ongoing communication, contact persons for both the OAG and the audited entity should have the authority and responsibility to set up regular meetings throughout the audit, ensure that appropriate individuals attend, and help resolve any problems or barriers to completing the audit. The entity's OAG contact/liaison person should coordinate entity comments.
- The audit team maintains a register of documents requested and received during an audit. When the OAG requests information from an audited entity, the entity should respond to such requests expeditiously. As a guide, information that is easily accessible should normally be provided within five working days of the request. For less readily available information, the audited entity should provide the information within a time frame agreed on as reasonable between the audit team and entity officials. Documents may be provided in electronic and/or hard copy format, as appropriate and applicable in the circumstances.

Additional resource

- Communiqué (TBS-OAG): Office of the Auditor General's Access to Records and Personnel for Audit Purposes, emailed to deputy heads on 7 August 2007

Related information sheets

- [Interaction with departmental audit committees](#)
- [A road map for performance audits](#)
- [Glossary of terms](#)



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Steps and interaction between the OAG and the audited entity in the planning phase

OAG	Audited Entity
Audit notification	
<p>At the start of a performance audit, the audit team will</p> <ul style="list-style-type: none"> notify the deputy head by letter of the OAG's intention to conduct an audit, and will request confirmation of the confidentiality of OAG numbered/controlled documents, such as the entity plan summary and draft chapters, and their return within one week of tabling of the report; provide the entity's OAG contact/liaison person with the names and security clearance levels of OAG and contract staff initially assigned to the audit who will require access to the entity (if any changes to this list are required during the audit, the audit team will notify the entity's OAG contact/liaison person in a timely manner); and offer to hold an entrance meeting with entity officials, including the deputy head where appropriate, to discuss the planned audit to gain a better understanding of the areas subject to audit. In advance of the meeting, the audit team notifies the audited entity of the main topics to be discussed, including the preferred language(s) of communication, especially regarding audit documents provided to the audited entity. 	<p>The deputy head is expected to</p> <ul style="list-style-type: none"> confirm, in writing, that controlled documents, such as the entity plan summary and draft chapters, will be treated in a confidential manner and returned within one week of tabling of the report; and inform those in the entity who need to know about the audit, as well as the departmental audit committee. <p>The OAG contact/liaison person is expected to inform those in the entity who need to know of the names and security clearance levels of OAG and contract staff. The audited entity is expected to provide the audit team with access at all convenient times to audit information, reports, and explanations, as the OAG deems necessary to complete the audit.</p> <p>If an entrance meeting is held, the entity is expected to ensure that the appropriate entity officials attend this meeting to discuss the planned audit and topics for discussion so that the audit team can gain a better understanding of the areas subject to audit. The OAG contact/liaison person is expected to inform the audit team of the preferred language(s) of communication, especially regarding audit documents provided to the audited entity.</p>

Steps and interaction between the OAG and the audited entity in the planning phase

OAG	Audited Entity
Within one month of the offer to hold an entrance meeting	
<p>The audit team sends a solicitor/client privilege letter to assure the deputy head or other senior management that when the OAG requests access to documents that may be subject to solicitor/client or other privileges, it does so pursuant to its powers under the <i>Auditor General Act</i>. Consequently, the audited entity's disclosure of such documents to the OAG does not amount to a waiver of any privilege attached to the documents.</p>	<p>Within two weeks of receiving the solicitor/client privilege letter, the deputy head or another senior management official with signing authority at the assistant deputy minister (ADM) level is expected to sign the attached letter, send a copy to those in the entity who need to know, and return the letter to the OAG.</p>
During the survey period	
<p>The audit team</p> <ul style="list-style-type: none"> acquires a sound knowledge of the audit subject through discussions with entity staff and review of documentation in order to develop an examination plan, which will serve as the basis for the entity plan summary, and identifies its initial information needs and specifies areas in the audited entity and locations/sites where it expects to conduct preliminary fact finding. 	<p>The entity is expected to</p> <ul style="list-style-type: none"> arrange timely meetings between senior management and other entity staff and the OAG to discuss the audit subject matter; provide the audit team with the information needed to understand the areas subject to audit, (for example, lines of responsibility, sources of criteria, risks, management concerns, and previous related internal audits, evaluations, or studies); and facilitate any field visits to entity or project sites.
<p>Prior to meetings, the audit team notifies the entity of the main topics to be discussed.</p>	<p>Entity officials are expected to be prepared to answer questions related to the main topics to be discussed at meetings with the audit team.</p>
<p>Early in the process, the audit team and entity officials will review the audit schedule and key milestones in the process with entity officials. Should any variations from the schedule become necessary, the parties should discuss how best to compensate by adjusting deadlines so that there is adequate time to ensure the quality of reports in both official languages.</p>	<p>Entity officials are expected to indicate whether any necessary variations from the audit schedule and key milestones are required and, if applicable, to discuss with the audit team how best to compensate for this while respecting the OAG report production schedule.</p>

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Steps and interaction between the OAG and the audited entity in the planning phase

OAG	Audited Entity
During the survey period (continued)	
The audit team seeks agreement with entity officials, during the planning phase, on how the OAG will debrief senior management of the audited entity and, if requested, the departmental audit committee, on the results of the audit.	Entity officials are expected to reach an agreement with the audit team, during the planning phase, on how the OAG will debrief the audited entity on the results of the audit.
The audit team may, at its discretion, request advice from the entity with respect to individuals who may be useful advisors on the audit. If the audit team has any concern about whether an advisor has a conflict of interest, it may seek the advice of the entity. Once the advisors have been selected, the audit team may provide the names to the entity for information purposes.	When requested, the entity is expected to provide advice to the audit team on potential advisors for the audit. The entity may wish to consult with its department audit committee on this matter.

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WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

▶ Examination phase of a performance audit

During the examination phase of a performance audit, the audit team of the Office of the Auditor General (the Office or OAG) gathers the evidence that will support all statements it will make in the audit chapter.

Some general points of information are the following:

- The audit principal normally offers to consult with senior management of the entity at the appropriate decision points during the audit. Prior to any meetings, auditors are expected to notify the audited entity of the main topics to be discussed.
- After the examination phase begins, the audit team may decide that the scope of the audit needs to be changed significantly. In such a case, the audit team and appropriate entity officials should discuss the rationale, timing, and approach, recognizing that the Auditor General will make the final decision.
- The OAG will inform the audited entity if its minutes of meetings and interviews will require sign-off by appropriate entity officials, where these documents will be relied upon as audit evidence.
- As the audit evidence is acquired, the OAG will endeavour to obtain confirmation and validation of facts from entity officials to help ensure the accuracy, relevance, and completeness of the evidence. The process may require a series of meetings with entity officials to ensure agreement on the facts gathered during the audit examination and field work. The audit team and the audited entity should resolve any outstanding issues as quickly as possible.
- How the OAG will debrief the audited entity should be agreed on before the examination phase ends. Appropriate senior entity officials are expected to participate in these debriefings.

Related information sheets

- ▶ [A road map for performance audits](#)
- ▶ [Glossary of terms](#)



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Steps and interaction between the OAG and the audited entity in the examination phase

OAG	Audited Entity
Early in the examination phase	
<p>The audit team prepares a report (entity plan summary) on the objectives, scope, approach, and criteria of the audit, and sends numbered/controlled copies of it to the entity's OAG contact/liaison person. This person will coordinate comments on the suitability of the criteria and on management's responsibility for the subject area.</p> <p>The OAG will disclose unresolved disagreements, if any, about criteria and the entity management's responsibilities in the audit chapter, with appropriate explanation.</p>	<p>The entity is expected to track the internal distribution of the copies of the entity plan summary received, subsequently retrieve them when requested, and return them to the OAG within one week of the report being tabled in the House of Commons.</p> <p>Senior management is expected to acknowledge in writing, within two weeks of receipt of the entity plan summary, the entity's responsibility for the areas and activities to be audited and provide comments on the suitability of the criteria against which they will be assessed.</p> <p>The entity is expected to ensure that all its officials affected by the audit (as well as its departmental audit committee) are sufficiently briefed on the purpose, nature, and timetable of the planned audit of the entity as early as possible in the audit process.</p>
<p>The audit team indicates any plans to rely on work conducted by, or on behalf of, the entity's internal audit unit.</p>	<p>The entity is expected to provide audit files and other related information in a timely manner as required by the audit team.</p>
<p>Given the scope of the audit, the audit team asks the entity's OAG contact/liaison person to confirm in which official language(s) the principal's (PX) draft chapter will be required, in whole or in part, for the confirmation and validation of facts process.</p>	<p>The entity is expected to inform the OAG of the language requirements for the PX draft chapter.</p>

Steps and interaction between the OAG and the audited entity in the examination phase

OAG	Audited Entity
During the examination phase	
<p>The audit team</p> <ul style="list-style-type: none"> • acquires knowledge of the audit subject and audit evidence according to the examination plan; • discusses issues with entity management as they arise; • in advance of meetings, notifies the audited entity of the main topics to be discussed; • asks the appropriate entity staff to sign off on documented meeting and interview minutes, if there is an intention to rely on such records as audit evidence. Such minutes would normally be sent to the appropriate entity staff within five working days of the meeting; • informs the audited entity, in writing, of any significant changes to the entity plan summary (objectives, scope, approach, criteria, and timetable) and provides a rationale for the changes. Where appropriate, a revised entity plan summary would be issued; • shares facts with entity management and asks for confirmation; • periodically offers to brief entity officials, senior management of the entity as required, and, if requested, the departmental audit committee on emerging findings throughout the examination phase and encourages a discussion of proposed recommendations as they are developed; 	<p>The entity is expected to</p> <ul style="list-style-type: none"> • provide documents and information in a timely manner as required by the audit team to complete the examination; • discuss issues with the audit team and indicate any corrective action under way; • be prepared to answer questions related to the main topics to be discussed at meetings with the audit team; • comment and sign off, when requested, on meeting and interview minutes expeditiously (normally within five working days); • provide comments, in writing, on the changes to the entity plan summary; • examine all statements of fact and confirm their correctness or, if the facts are incorrect or incomplete, provide the correct or complete information along with appropriate supporting evidence; • participate in the briefings to understand the nature and the implications of the findings and the proposed recommendations and to obtain answers from the OAG to any questions (in this case, the entity officials may include the deputy head or other entity senior management, as appropriate, as well as the departmental audit committee, as appropriate); and



Steps and interaction between the OAG and the audited entity in the examination phase

OAG	Audited Entity
During the examination phase (continued)	
<ul style="list-style-type: none"> seeks the views of the deputy head or senior management, as early as possible, when developing recommendations on actions needed to correct a problem (the audit team will report corrective action where there is sufficient evidence that it is under way); and asks the entity's OAG contact/liaison person how many copies of the PX draft chapter it will require in the primary official language of communication and, in whole or in part, in the second official language for internal circulation, as part of the confirmation and validation of facts process. 	<ul style="list-style-type: none"> provide input to the audit team to ensure that the development of recommendations considers implementation aspects (in this case, the entity officials would include the deputy head or other entity senior management as appropriate). <p>The entity's OAG contact/liaison person is expected to inform the OAG of the number of copies of the PX draft chapter it will require, in whole or in part, in each official language for the confirmation and validation of facts process.</p>

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WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

▶ Reporting phase of a performance audit

In the reporting phase, the audit team formally presents, in writing, the observations, conclusions, and recommendations relative to the objectives of the performance audit.

The Office of the Auditor General (the Office or OAG) produces two key audit draft chapters:

- the audit principal's draft chapter (the first draft chapter for external comment, commonly referred to as the PX draft chapter); and
- the transmission draft chapter (the final draft issued before publication, commonly referred to as the DM draft chapter).

The OAG's auditing standards require that the Office provide audited entities with an opportunity to review and comment on draft audit chapters for confirmation and validation of facts before they are published. The two draft chapters are the key iteration points in the audited entity's review of the chapter.

After issuing the PX draft chapter, the OAG will seek entity management's views concerning the validity and completeness of audit observations, conclusions, and recommendations. The Main Points, set out at the beginning of the chapter, are selected highlights designed to provide parliamentarians with a useful summary of what the audit examined, why it's important, and what was found. Although audited entities may comment on Main Points in a chapter, the issues included in this section are determined by the OAG.

Audited entities will receive numbered/controlled copies of the PX draft chapter. Where more than one entity is included in the scope of an audit, an audited entity may receive only those portions of the chapter that are relevant to it, as noted in the information sheet on [multi-entity audits](#). Audited entities normally have three weeks to provide their comments on this draft. This time frame is subject to such factors as the extent to which substantive discussions between the audit team and entity officials have already occurred, the nature of the audit subject itself, and the complexity of the entity's internal review procedures.

The OAG asks the audited entity to provide comments on its agreement or disagreement with the content of the draft, normally within three weeks of receipt of the PX draft. To this end, the OAG requests consolidated comments of the audited entity on the validity and completeness of audit observations, conclusions, and draft recommendations. These comments must be in writing and be signed. The audit team may need to meet with entity officials to discuss the entity's comments, to gain a full understanding of the comments and/or to obtain any additional significant information related to the comments. Such meetings are normally limited in number and should be scheduled within a period that meets the OAG's report production schedule as indicated in the entity plan summary.



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As a matter of professional courtesy, extracts of the PX draft chapter will be sent for confirmation and validation of facts to other federal entities not included in the scope of the audit, including Crown corporations, and to other third parties who are named directly or indirectly in the chapter. Since these third parties will receive only limited extracts, they may wish to contact officials of the audited entity for additional contextual information. In the covering letter sent to a third party, the OAG will normally provide the name of the audited entity's OAG contact/liaison person (who will also receive a copy of the third party letter).

As noted in the information sheet on [developing and responding to recommendations](#), within one week of receipt of the entity's response to the PX draft chapter, the audit team will send a letter including all of the draft recommendations (modified, as appropriate, to reflect the earlier discussions) to the deputy head or other senior entity management (usually at the ADM level). The letter will also request the entity's draft response to the recommendations, which should be provided within three to four weeks.

After receiving the comments from the audited entity and others, the audit team considers their substance and revises the PX draft chapter, as appropriate. The team will then submit to the deputy head a transmission draft chapter that includes the audited entity's draft responses to recommendations. The deputy head will sign off on the chapter, providing final comments and confirmation that the responses are final.

The OAG welcomes the opportunity to discuss its audit reports with the departmental audit committee to explain audit findings after entity management has had the opportunity to confirm and validate the facts.

Derivative communications. Occasionally, the OAG identifies issues that are less important than those included in the report to Parliament, or that fall outside the scope of the audit, but that it believes are of interest to the audited entity. These issues may require follow-up and corrective action by entity management. In such instances, the OAG will communicate these issues in a timely manner (usually within one month of tabling of the related report of the Auditor General or the Commissioner of the Environment and Sustainable Development) to the deputy head of the audited entity or the head of the entity's internal audit function, as appropriate, through a management letter, a slide presentation, or verbal communication. If a management letter is issued, the OAG may request a written response to the matters raised in it, including any proposed actions to be taken, together with a target completion date. The OAG may also choose to follow up on these issues at a later date.

Related information sheets

- ▶ [Interaction with departmental audit committees](#)
- ▶ [Developing and responding to recommendations](#)
- ▶ [Multi-entity audits](#)
- ▶ [A road map for performance audits](#)
- ▶ [Glossary of terms](#)

Steps and interaction between the OAG and the audited entity in the reporting phase

OAG	Audited Entity
<p>The audit team sends numbered/controlled copies of the principal's (PX) draft chapter to the entity's OAG contact/liaison person to coordinate comments by parties responsible for audited areas. For a single entity audit, this normally occurs about 20 weeks before the scheduled tabling day of the related Auditor General's Report. The expected date of issuance would be indicated in the entity plan summary.</p>	<p>The entity is expected to review the draft chapter and provide the OAG with the entity's position on</p> <ul style="list-style-type: none"> • facts in dispute, if any (accompanied by all supporting evidence in the audited entity's possession); and • accuracy of text. <p>The entity is expected to deliver its consolidated and coordinated comments within agreed timelines, usually three weeks.</p>
<p>The audit team keeps a record of entity staff to whom draft chapters and other numbered/controlled documents are given, requests the return of the documents once the report has been tabled in Parliament, and keeps a record of which copies are returned.</p>	<p>The entity is expected to track the internal distribution of draft chapters and other numbered/controlled documents received, retrieve them when requested, and return them to the OAG within one week of the report being tabled in Parliament.</p>
<p>The audit team discusses and attempts to resolve issues raised in the entity's comments quickly, professionally, and respectfully.</p>	<p>Within agreed timelines, the entity is expected to discuss and attempt to resolve issues with the audit team quickly, professionally, and respectfully.</p>
<p>If required, the Assistant Auditor General (AAG) or the Commissioner of the Environment and Sustainable Development (CESD) offers to meet with the deputy head to try and resolve points of disagreement.</p>	<p>The deputy head or his/her designate is expected to meet with the AAG or the CESD to try and resolve outstanding issues, reaching either agreement or a clear, shared understanding of points on which they "agree to disagree."</p>
<p>The audit principal prepares the deputy minister (DM) transmission draft chapter to reflect the discussions with the entity, as appropriate.</p> <p>The OAG sends numbered/controlled copies of the DM transmission draft chapter, in both official languages, to the deputy head for comment and requests a reply within 10 working days. Failure to meet this timeline could result in the chapter being published without the departmental responses.</p>	<p>The deputy head is expected to confirm, within 10 working days, that the DM transmission draft chapter presents the findings of the audit factually and fairly—or should there be areas of disagreement, specify where and why—and that the responses to the recommendations are final.</p>

Steps and interaction between the OAG and the audited entity in the reporting phase

OAG	Audited Entity
For a single-entity audit, the issuance of the DM draft normally occurs about nine weeks before the scheduled tabling of the report. The expected date of issuance would be indicated in the entity plan summary.	
The OAG welcomes the opportunity to discuss its audit reports with the departmental audit committee to explain audit findings after entity management has had the opportunity to confirm and validate the facts.	When the opportunity arises, the departmental audit committee is expected to discuss matters of mutual interest.
The audit team communicates in a timely manner (usually within one month of the tabling date of the audit chapter) with either the deputy head or the head of the internal audit function, as appropriate, about management issues not included in the audit chapter. It is expected that the audit team would have discussed most, if not all, of these management issues with entity officials during the confirmation and validation of facts process for the chapter. If the OAG communicates these management issues through a management letter, then a similar process of confirmation and validation of facts for these issues would take place.	The entity is expected to acknowledge communication of the management issues, discuss them with the audit team, and issue a written response when requested.

WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

► Developing and responding to recommendations

Performance audits will often include recommendations to point to the direction in which positive changes can be made for the most serious deficiencies reported. Recommendations address areas where there are significant risks to the entity if deficiencies remain uncorrected.

When a recommendation is made, it should be

- fully supported by and flow from the associated observations and conclusions;
- aimed at correcting the underlying causes of the deficiency; and
- directed specifically at the entity or entities with the responsibility to act on it.

A recommendation should be clearly stated. It should be

- succinct, straightforward, and contain enough detail to make sense on its own;
- broadly-stated (stating what needs to be done while leaving the specifics of how to do it to entity officials); and
- positive in tone and content.

A recommendation should also be action-oriented. It should be

- practical (able to be implemented in a reasonable time frame, taking into account legal and other constraints);
- cost-effective (the benefits of implementing it will outweigh the costs);
- efficient (optimizing the use of resources);
- results-oriented (giving some indication of what the intended outcome is, ideally in measurable terms); and
- able to be followed up (the audit team will be able to determine whether it has been acted upon).

To enable the development of clearly stated and action-oriented recommendations and to provide the audited entity with the time required to prepare responses and develop an action plan, the audit team needs to seek the views of entity officials as early as possible, normally at the end of the examination phase.

Publishing an audited entity's response to a recommendation gives the government the opportunity to inform Parliament whether the entity agrees with the recommendation, and what actions the entity intends to take and their timing.



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Developing recommendations during the audit. During the examination phase of a performance audit, the audit team will periodically offer to brief entity officials, senior management as required, and, if requested, the departmental audit committee, on emerging findings throughout the examination phase. The team encourages entity officials, including the deputy head or other senior management and the departmental audit committee, as applicable, to participate in the briefings to understand the nature and the implications of the findings and proposed recommendations and obtain answers from the Office of the Auditor General (the Office or OAG) to any questions. The deputy head or other senior management is requested to provide the audit team with input to ensure that the recommendations are practical and feasible to implement.

Sending draft chapters. The audit principal's draft chapter (PX draft) issued to the audited entity contains a complete set of draft recommendations. About three to four weeks after the PX draft is issued, the Assistant Auditor General (AAG) responsible for the audit, or the Commissioner of the Environment and Sustainable Development (CESD), will offer to meet with the deputy head or other senior management (usually at the assistant deputy minister level) to discuss the recommendations. The discussion should include, among other things, the suitability and practicality of the draft recommendations and the probable responses of the entity to them.

Shortly after this meeting (or within one week of receipt of the audited entity's response to the PX draft chapter), the audit team will send a letter including all of the draft recommendations (modified, as appropriate, to reflect the earlier discussions), to the deputy head or other senior management (usually at the assistant deputy minister level). The letter also requests the audited entity's draft responses to recommendations, which should be provided within three to four weeks.

The subsequent deputy minister (DM) transmission draft chapter issued contains the full text of the chapter (modified, as appropriate, to reflect the earlier discussions), the recommendations, and the draft responses of the audited entity. The audit team will ask the deputy head to confirm, within 10 working days, that the facts are accurate and presented fairly and that the responses are final, or comment on areas of disagreement, if any.

The OAG encourages the departmental audit committee to play an active role in reviewing and assessing the adequacy of the entity's responses to the recommendations.

Establishing expectations for responses to recommendations. Responses to recommendations are not intended as a vehicle for disagreeing with the audit findings. The audit team and the audited entity must either resolve any unsettled disputes, or, according to professional audit standards, the audit team must describe the outstanding issues in the main text of the chapter. If a matter has not been resolved by the time the DM transmission draft chapter is issued, the audit team must raise it with the responsible AAG or the CESD immediately.

The OAG has established limits on the content and publication of entity responses and will not normally publish

- general responses or global comments to chapters;
- entity responses where no recommendations have been made; or
- entity responses where, in the case of a follow-up chapter on a previous audit, no new recommendations have been made.

The OAG's expectations for an entity response are as follows:

- From the outset, the response must clearly indicate if the audited entity agrees or disagrees with the recommendation.
- If the entity agrees with the recommendation, it should use no more than 200 words to indicate the actions it intends to take to respond to the recommendation, and when it intends to take these actions.
- If the entity does not agree with the recommendation, it should briefly and clearly indicate why it disagrees.
- Final responses to the DM draft must be received at least seven weeks before tabling of the report in order to be published with the chapter and to meet commitments to brief senior officials at the Treasury Board of Canada Secretariat and the Privy Council Office.

Parliamentarians are more likely to react favourably to responses that are clear and concise and that describe specific actions and their timing.

The OAG reserves the right to edit responses and to decline to publish material that does not respond to a specific recommendation or repeats material that is already in the body of the chapter. Furthermore, because the OAG is associated with everything it publishes and because it must follow professional standards, it will not publish anything that it believes is false or misleading. The audit team will inform the audited entity of any significant changes made to their final responses.

While the OAG does not print entity responses or comments in the Main Points, it briefly describes at the end of that section the entity's commitment (or non-commitment) to take action.

Related information sheets

- ▶ [Interaction with departmental audit committees](#)
- ▶ [Reporting phase of a performance audit](#)
- ▶ [A road map for performance audits](#)
- ▶ [Glossary of terms](#)

Steps and interaction between the OAG and the audited entity in developing and responding to recommendations

OAG	Audited Entity
The examination phase	
Periodically, the audit team offers to brief entity officials, senior management as required, and, if requested, the departmental audit committee, on emerging findings. The team encourages a discussion of proposed recommendations as they are developed.	Entity officials are expected to participate in the briefings to understand the nature and the implications of the findings and the proposed recommendations. The entity also seeks to obtain answers from the OAG to any questions (such briefings may include the participation of the deputy head or other senior entity management as well as the departmental audit committee, as appropriate).
The reporting phase	
The audit team sends numbered/controlled copies of the principal's (PX) draft chapter, which includes draft recommendations, to the entity's OAG contact/liaison person, who coordinates comments by parties responsible for audited areas. For a single-entity audit, this normally occurs about 20 weeks before the scheduled tabling day of the report. The expected date of issuance would be shown in the entity plan summary.	<p>The entity is expected to review the draft chapter and provide the OAG with its position on</p> <ul style="list-style-type: none"> • facts in dispute, if any (accompanied by all supporting evidence in the entity's possession); • accuracy of the text; and • the draft recommendations. <p>The entity is expected to deliver the comments within agreed timelines (usually three weeks).</p>
About four weeks after issuing the PX draft, the Assistant Auditor General (AAG) or the Commissioner of the Environment and Sustainable Development (CESD) offers to meet with the deputy head or other senior management (usually at the assistant deputy minister (ADM) level), as appropriate, to discuss the draft recommendations.	The entity is expected to discuss the suitability and practicality of the draft recommendations and the probable responses to them.

Steps and interaction between the OAG and the audited entity in developing and responding to recommendations

OAG	Audited Entity
The reporting phase (continued)	
<p>Within one week of the above-noted meeting, the OAG sends a letter to the deputy head or other senior entity management (usually at the ADM level) that includes all the draft recommendations (modified, as appropriate, to reflect the earlier discussions) and requests the entity's draft response within three to four weeks. This letter is issued as a numbered/controlled document.</p>	<p>The deputy head or other senior management of the entity is expected to provide a written response within three or four weeks to the draft recommendations, in accordance with the OAG's expectations for entity responses.</p>
<p>The OAG encourages the departmental audit committee to play an active role in reviewing and assessing the adequacy of the entity's responses to the recommendations.</p>	<p>The departmental audit committee is expected to actively review and assess the adequacy of the entity's responses to the recommendations.</p>
<p>The audit principal prepares the deputy minister (DM) transmission draft chapter, which reflects the discussions with the entity, as appropriate. The AAG or the CESD sends numbered/controlled copies of the DM transmission draft, in both official languages, to the deputy head for comment and requests a reply within 10 working days. Failure to meet this timeline could result in the chapter being published without the entity's responses. For a single-entity audit, this normally occurs about nine weeks before the scheduled tabling of the report. The expected date of issuance would be indicated in the entity plan summary.</p>	<p>The deputy head is expected to confirm, within 10 working days, that the facts are accurate and presented fairly and that the responses to the recommendations are final, or provide comments on areas of disagreement, if any.</p>



WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

▶ Tabling

On the day a report of the Auditor General or the Commissioner of the Environment and Sustainable Development is tabled in the House of Commons, the Office of the Auditor General (the Office or OAG) organizes a preview for members of Parliament and senators and a separate media lock-up, which includes a news conference. As a courtesy and space permitting, key audited entities may be invited to send up to two observers to listen to the news conference held during the media lock-up. This provides the observers with advance information on the issues raised at the news conference before the report is available to the public.

Journalists who attend the media lock-up receive copies of the report as well as a news release about each chapter, which briefly summarizes the audit team's findings. As a courtesy, a few days before the report is tabled, audited entities mentioned in a news release have an opportunity to preview the release on OAG premises. Although entities may comment on the news release, its content is determined by the OAG.

In some instances, members of Parliament, senators, the media, and/or the public want additional information about the audited entities or audit subject matter that is not included in the OAG report. In accordance with OAG policy, the Office does not normally provide information that is not included in its report. Therefore, any questions for further information or background will be referred to the audited entity.

Related information sheets

- ▶ [A road map for performance audits](#)
- ▶ [Glossary of terms](#)



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Interaction between the OAG and the audited entity in tabling activities

OAG	Audited Entity
Pre-tabling day activities	
<p>About two weeks before tabling of a report, the OAG</p> <ul style="list-style-type: none"> provides advance notice to audited entities mentioned in the news release that they will have an opportunity to view the release on OAG premises a few days before the report is tabled, and requests the audited entity to notify the OAG as soon as possible who it intends to send to view the news release. 	<p>The entity is expected to</p> <ul style="list-style-type: none"> notify the OAG in a timely manner who it intends to send to view the news release, and send this representative to view the news release at the designated time and place.
<p>About one week before tabling of a report, the OAG invites audited entities, as a courtesy and space permitting, to send up to two observers to listen to the news conference held during the media lock-up on tabling day.</p>	<p>The entity is expected to provide the OAG in a timely manner with the contact information of the individual(s) who will observe the news conference held during the media lock-up.</p>
Tabling day activities	
<p>During the media lock-up on tabling day, the Auditor General (AG) or the Commissioner of the Environment and Sustainable Development (CESD) hold a news conference for accredited members of the Parliamentary Press Gallery. The AG or CESD is also available for interviews with journalists following tabling of the report.</p>	<p>Space permitting, the entity may be invited to send its observers to the news conference held during the media lock-up.</p>

WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

► After the performance audit

To understand our past performance and to identify possible areas for improvement, the Office of the Auditor General (OAG) believes that it is important to obtain feedback from entities that are the subject of its audits. Therefore, it conducts post-audit surveys about various aspects of the audit experience after tabling of reports of the Auditor General or the Commissioner of the Environment and Sustainable Development (CESD) in the House of Commons. A summary of the results of these surveys is reported to Parliament in the OAG's performance report.

It is important for due diligence, accountability, and value for money that both the Auditor General or CESD and the deputy head of an audited entity know the extent to which the entity has implemented previous audit recommendations or addressed significant observations that contain an implied recommendation or a commitment to action by the audited entity.

Toward the end of each fiscal year, the OAG contacts audited entities, as necessary, to request an update on progress made to implement current and outstanding audit recommendations or to address significant observations. This update covers a maximum period of five years from the release of the audit reports, or until the issue is resolved or obsolete.

The entities are expected to formally respond, within the specified time frame (usually up to four months), to this request with progress reports. The progress reports are to include

- a concise description of the actions undertaken up to the fiscal year end toward the implementation of each outstanding recommendation;
- an assessment of the level of implementation achieved as of that fiscal year end—based on a scale of 1 to 5; and
- a statement by the Chief Audit Executive for the entity (or a senior executive position, reporting to the deputy head, who acts in such a role) whether the information included in the progress reports has been reviewed by its departmental audit committee.

The OAG publishes aggregate statistics in its annual performance report to Parliament on the percentage of recommendations fully and substantially implemented four years after release of the audit reports.

The OAG also conducts status audits of specific audit recommendations and issues of concern raised in past audit chapters that continue to pose a significant risk and remain of continuing interest to Parliament. The Office completes these audits in the same manner as



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other performance audits, following professional audit standards. It normally reports these audit results in its annual status report.

Related information sheets:

- ▶ [A road map for performance audits](#)
- ▶ [Glossary of terms](#)

Steps in monitoring recommendations and follow-up

OAG	Audited Entity
After a report is tabled in the House of Commons	
The OAG sends a post-audit survey to the entity's deputy head to obtain feedback on its audit performance.	The deputy head is expected to respond to the survey in a timely manner.
On an annual basis	
The OAG sends the entity's deputy head or Chief Audit Executive a request for a report on the status of actions taken to implement previous recommendations and, where appropriate, significant observations.	<p>The deputy head or Chief Audit Executive is expected to distribute the request to those who will provide input for the response.</p> <p>The Chief Audit Executive (or other designated senior official) is expected to coordinate the response to the request, including a statement on whether the information included in the progress reports has been reviewed by the departmental audit committee, and return it to the OAG, within the specified time frame (usually four months).</p>



WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

► Multi-entity audits

Many issues cut across more than one department or agency. The Treasury Board of Canada Secretariat also formalizes certain initiatives that involve multiple federal organizations (and perhaps others) as “horizontal initiatives.” Examples may be found on the Secretariat’s Horizontal Results Database at http://publiservice.tbs-sct.gc.ca/rma/eppi-ibdrp/hr-rh_e.asp

When performance audit work of the Office of the Auditor General (OAG) includes a number of federal departments and agencies, the OAG

- sends letters of notification to the appropriate central agency or agencies, and to all other entities included in the scope of the audit;
- takes into account any administrative arrangements with each audited entity when meeting or communicating with it;
- requests a central agency or lead department to identify a contact person within their entity to facilitate coordination of entities’ communication with the OAG during the audit and formal responses to the audit; and
- asks for each audited entity’s formal acknowledgement of its responsibility for areas included in the scope of the audit, after initial contact with each entity.

Audited entities may receive only those portions of the principal’s (PX) draft chapter that are relevant to them. If circumstances warrant or if all audited entities agree, the full PX draft chapter may be provided to all audited entities. Only the audited entity or entities mentioned directly in a recommendation will be required to respond, initially in draft form, to that recommendation.

Following confirmation and validation of the facts in the PX draft chapter, the OAG will normally send all entities covered by the scope of the audit a complete copy of the deputy minister (DM) transmission draft chapter, which will include the draft entity responses to recommendations. The entities are expected to provide their final comments and sign-off, including written confirmation that their responses to the recommendations are final.

Related information sheets

- [Roles and responsibilities](#)
- [Interaction with departmental audit committees](#)
- [Access to entity information by the Office of the Auditor General](#)
- [Handling and treatment of information](#)
- [Long-term audit plan—One-Pass Plan](#)



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- ▶ Planning phase of a performance audit
- ▶ Examination phase of a performance audit
- ▶ Reporting phase of a performance audit
- ▶ Developing and responding to recommendations
- ▶ Tabling
- ▶ After the performance audit
- ▶ A road map for performance audits
- ▶ Glossary of terms

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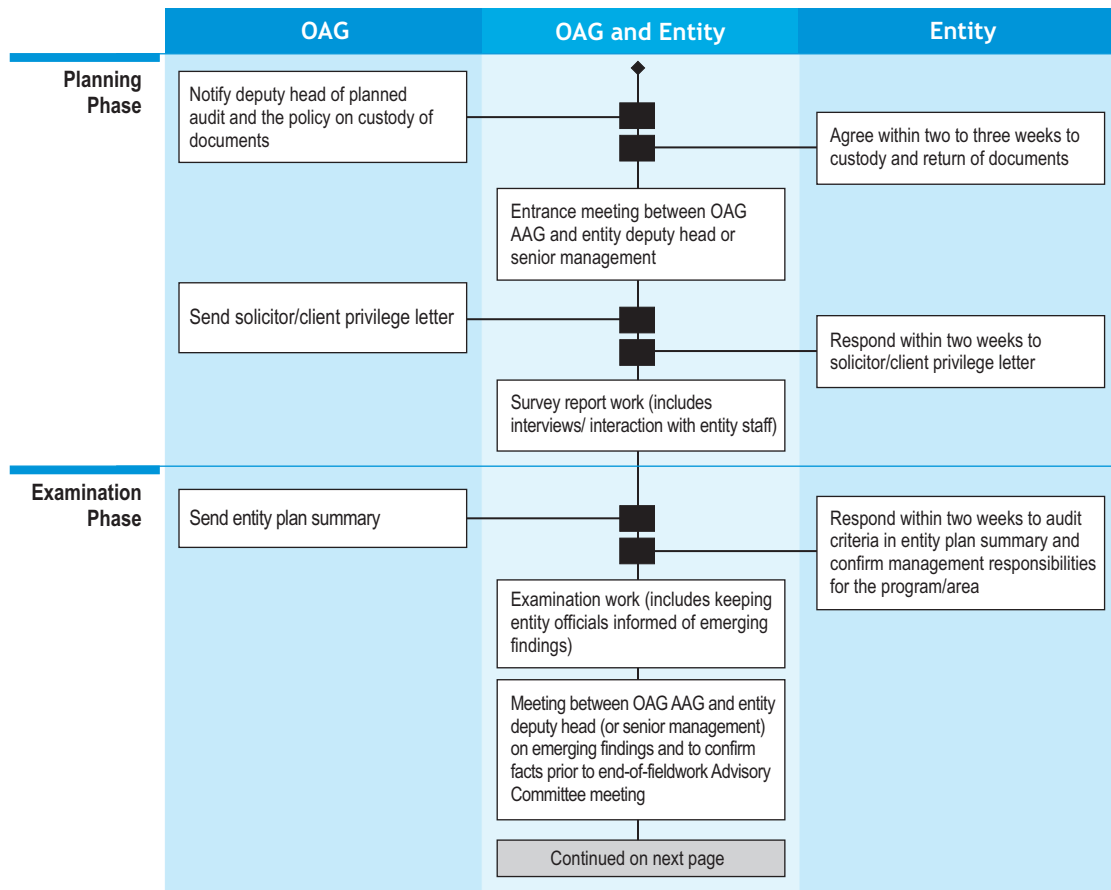
► A road map for performance audits

OAG/entity communications (general and ongoing)

- Access communiqué (access to Cabinet documents and related material)
- Letter from Auditor General to deputy heads (information for entities audited by the OAG)
- Annual assistant auditor general-deputy head meeting on short- and longer-term planning
- OAG/entity liaison meetings as required
- Annual Call Letter on follow-up on recommendations

OAG/entity communications

This road map applies to single-entity performance audits. For performance audits that include more than one department or agency, the audit team, in consultation with the entities, may agree to revise the T-# (T-minus) dates identified in this road map to allow additional time for discussions during the reporting phase.



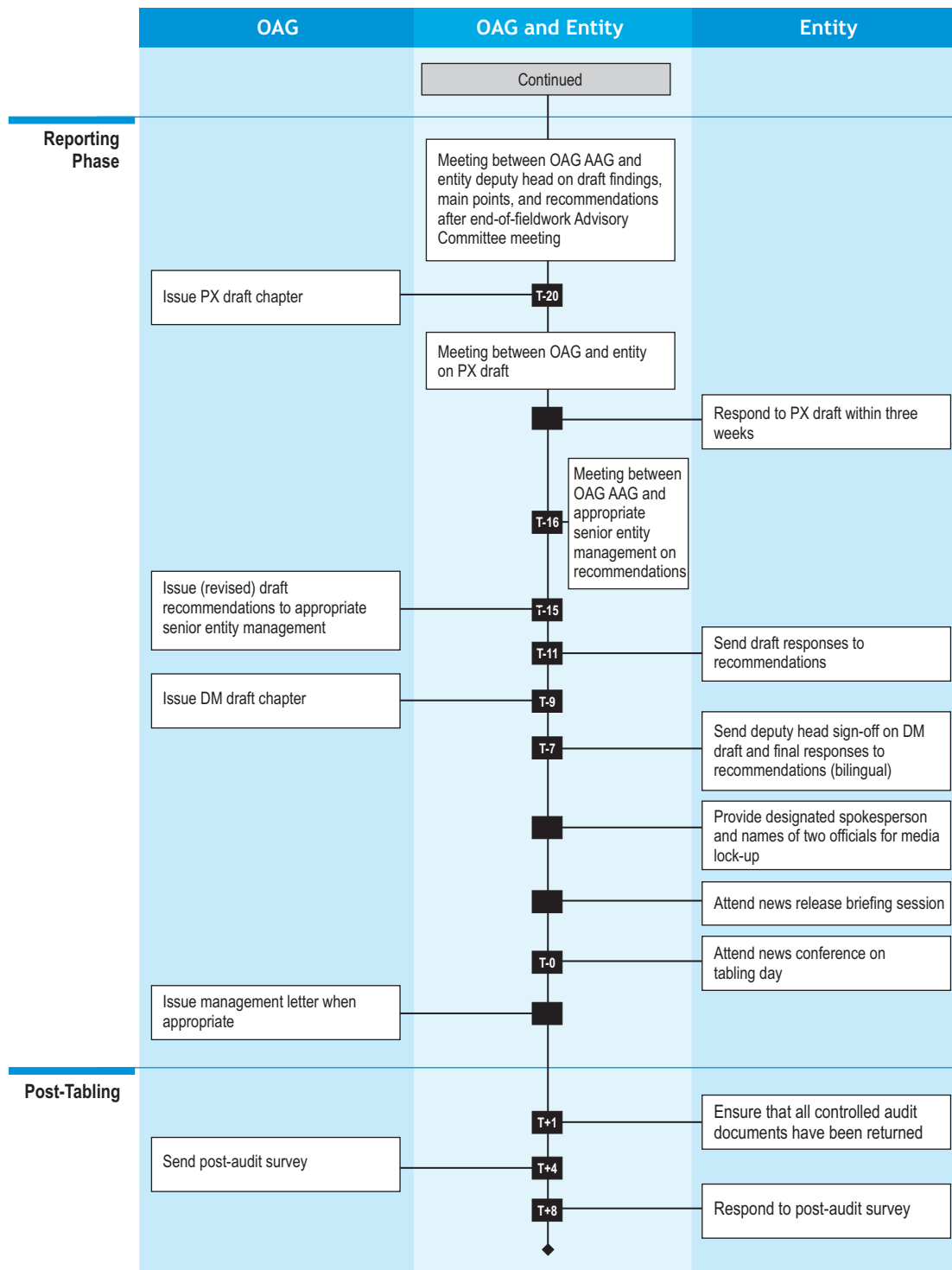
Abbreviations:

OAG	Office of the Auditor General	DM draft	Deputy Minister transmission draft
AAG	Assistant Auditor General	T- #	T minus date where # = number of weeks before tabling
PX draft	Principal's draft	T+ #	T plus date where # = number of weeks after tabling



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Abbreviations:

OAG	Office of the Auditor General	DM draft	Deputy Minister transmission draft
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WHAT TO EXPECT

An Auditee's Guide to the Performance Audit Process

► Glossary of terms

Audit team—A team of auditors responsible for conducting an audit, which may be a financial audit, a performance audit, or a special examination. The audit team reports to an audit principal and may be comprised of both Office of the Auditor General and contract staff.

Auditor—A member of an audit team responsible for conducting an audit. The auditor may be either an employee of the Office of the Auditor General or a consultant assigned to the audit team.

Audit principal—A principal within the Office of the Auditor General who has overall responsibility for conducting a performance audit that may involve one or more entities. The audit principal is responsible for managing the entire audit cycle and a team of performance auditors, and ensuring the quality of audit products produced by the team.

Deputy minister (DM) transmission chapter—A draft chapter that incorporates entity comments on the initial draft chapter (PX draft) and that has been reviewed by designated senior management of the Office of the Auditor General. Its purpose is to obtain comments from the deputy minister/head of the audited entity, entity responses to recommendations, and planned corrective actions, and to address any disagreements.

Entity—A federal department, agency, or other entity (for example, foundation) that is subject to an audit under the *Auditor General Act*.

Entity plan summary—A document that provides information to entity management about the audit at the beginning of the examination phase. This document outlines the objectives, scope, approach, and criteria of the audit; the areas and other entities, if any, subject to audit; the team members (names and security clearance levels); and the time frames for the audit phases.

Entity principal—An audit principal in the Office of the Auditor General who is designated to serve as the primary liaison person or point of contact between the Office and the entity. The entity principal is responsible for coordinating with other OAG teams on audits affecting the entities for which he/she is responsible.

Management letter—A formal letter from the Office of the Auditor General that identifies situations or information from the audit that are important enough to be brought to the attention of management but not necessarily to the attention of Parliament, or that fall outside the audit scope.



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Numbered/controlled documents—Protected documents, such as the entity plan summary and draft report chapters, provided to entity officials or to other appropriate external parties during a performance audit. Recipients are required to ensure the confidentiality of these documents and to return them to the Office of the Auditor General no later than one week after tabling of the report.

Performance audit—An audit that examines the government’s activities or programs, against established criteria, to determine whether it is carrying them out with due regard to economy, efficiency, and environmental impact, and whether it has measures in place to determine how effective they are.

Principal’s (PX) draft chapter—An initial draft chapter provided to audited entities for review and comment prior to publication. Entity management’s views are obtained on the validity and completeness of audit observations, conclusions, and recommendations. Extracts of the PX draft are sent for confirmation and validation of facts to other federal entities that are not included in the scope of the audit and that are referred to (directly or indirectly) in the chapter, as well as to other third parties referred to in the chapter.

