

**Office of the Auditor General of Canada**

**Report on a Review of the  
Annual Audit Practice**

Practice Reviews Conducted in the 2009–10 Fiscal Year

**May 2010**

**Practice Review and Internal Audit**



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## Introduction

1. The Office of the Auditor General (the Office) conducts independent audits that provide objective information, advice, and assurance to Parliament, territorial legislatures, and Canadians. The Office has several product lines, including performance audits, annual audits, and special examinations.
2. Annual audits include audits of the summary financial statements of the Government of Canada and the territories, and the financial statements of Crown corporations and other entities. They are performed in accordance with Canadian generally accepted auditing standards. The objective of annual audits is to provide an opinion on whether financial statements are presented fairly, in accordance with Canadian generally accepted accounting principles. In certain cases, the auditor also provides an opinion on whether the transactions examined conform to the legislative authorities that govern the activities of the entity concerned.
3. The Practice Review and Internal Audit Team conducted practice reviews of selected annual audits reported in 2009. This work was done in accordance with the monitoring section of the General Standards of Quality Control for Firms Performing Assurance Engagements of the Canadian Institute of Chartered Accountants (CICA) Handbook. It was also done in accordance with the Practice Review and Internal Audit Plan 2009–10, which was recommended by the Audit Committee and approved by the Auditor General. The Plan is based on systematic monitoring of the work of all audit principals in the Office on a cyclical basis.
4. To meet the standards of the CICA, the Office establishes policies and procedures for its work. These are outlined in an audit manual, various other audit tools, and a Quality Management System (QMS) for each product line. The QMS for annual audits and supporting audit methodology ensures that quality is built into the audit process. These guide auditors through a set of required steps to ensure that the audits are conducted according to professional standards and Office policies. There is a product leader at the assistant auditor general level for the annual audit product line.
5. This report summarizes the observations related to the practice reviews of the selected annual audits and consolidates the results of these reviews.

## Overview

### Objective

6. The objective of practice reviews is to provide the Auditor General with assurance that

- annual audits comply with professional standards and applicable legislative and regulatory requirements,
- the Quality Management System (QMS) has been appropriately designed and effectively implemented, and
- the QMS has been appropriately applied so that reports issued are supported and appropriate.

### Scope and methodology

7. We conducted practice reviews of eight annual audits. The reviews were conducted on audit files for financial statements with year ends between August 2008 and August 2009. Five were audits of Crown corporations, two were audits of departments and agencies, and one was an audit of a territorial corporation.

8. We stayed abreast of the annual audit practice by reviewing the Annual Audit Manual, the QMS, practice advisories, Office policies, the CICA standards, and other documentation relevant to annual audits.

9. Our reviews included an examination of documentation and a review of electronic (TeamMate) and paper audit files. We examined audit files related to the planning, examination, and reporting of the audits. We also interviewed audit team members, quality reviewers, and other internal specialists, as appropriate.

### Quality Management System elements and key process controls reviewed

10. We focused our work on selected elements of the Annual Audit Quality Management System (see Appendix A) that we considered as high risk. These are the following:

- Conduct of the audit
  - Planning
  - Examination
  - Reporting

- Finalization of audit files
- Consultation
- Resourcing
- Independence
- Leadership and supervision
- Security

**11.** We also looked at how the quality reviewers carried out their responsibilities for quality control. Quality reviewers are management-level employees of the Office who are appointed to provide an objective evaluation, before the auditor's report is issued, of the significant judgments the audit team made and the conclusions reached in formulating its audit opinion. The quality reviewer is an important element of the Office's quality control system and is involved in individual audits from initial planning decisions to the closing of the audit file. See Appendix B for a description of the key process controls reviewed for each selected element of the QMS for annual audit.

## Rating system

**12.** We applied one of the following ratings to each selected QMS element of the individual annual audits under review:

- **Compliance.** Office policy requirements and generally accepted auditing standards (GAAS) or generally accepted accounting principles (GAAP) were met; minor improvements might be possible.
- **Needs improvement.** Improvements are necessary in some area(s) to fully comply with Office policies and/or professional standards (GAAS or GAAP).
- **Non-compliance.** Major deficiencies exist; there is non-compliance with Office policies and/or professional standards (GAAS or GAAP).

**13.** After completing the practice reviews, we provided an overall conclusion on whether the audit opinion was supported and appropriate. If multiple elements of the QMS are non-compliant, the audit opinion is at risk.

## Reporting standards

**14.** This report has been prepared in accordance with the monitoring section of the General Standards of Quality Control for Firms Performing Assurance Engagements of the Canadian Institute of Chartered Accountants (CICA) Handbook. The standards require that information be communicated on monitoring procedures performed, the conclusions drawn from the monitoring

procedures, the description of deficiencies, and the actions taken to resolve these deficiencies.

## **Results of the Reviews**

### **Summary of compliance with the Quality Management System and process control elements**

**15.** Overall, we found in all eight of the annual audits reviewed that the auditor's reports were supported and appropriate. However, in all eight audit files, the implementation of certain areas of the QMS needed improvement. We did note some progress over last year's reviews in certain elements of the QMS.

**16.** The 2008–09 practice reviews identified a number of instances where the QMS was not applied consistently and rigorously or where its design needed improvement. As a result, the Office made it a strategic priority in 2009–10 to update and strengthen the design and implementation of the QMS. This priority is being addressed through initiatives such as major updates of the audit manuals and associated methodology and a review and update of the professional development curriculum. Given the nature and extent of findings noted in the previous year and the fact that annual audits were under way when the results of the 2008–09 reviews were finalized, we did not expect all of the previous year's observations to be fully addressed in the files reviewed this year.

**17.** Management has undertaken a project to address senior management involvement, an area identified last year as requiring improvement. While implemented subsequent to the period under review in these practice reviews, a checklist was developed to guide senior management's involvement in annual audits and to assist in documenting this involvement. The checklist does not introduce new methodology, but rather is a non-mandatory tool to help practitioners comply with existing methodology requirements.

### **Strengths and good practices**

**18.** In our practice reviews, we look for innovative ways to improve the efficiency of audit work.

#### **Early involvement of senior management**

**19.** We noted in one file that early involvement of senior management in challenging the strategic audit approach resulted in efficiencies in the audit. The team, including senior management, identified several areas where work could be reduced while still gathering sufficient and appropriate audit evidence. The audit team expects further time savings next year as well.



## Opportunities for improvement

**20.** The observations throughout this section of the report and the recommendations at the end represent opportunities for improvement across the annual audit practice, based on the findings most commonly identified in the individual practice reviews. The observations are mainly related to the conduct of the audit.

### Controls-reliant approach

**21. Difficulty in applying the controls-reliant approach.** The Office is committed to a controls-reliant approach whenever appropriate and practicable. We noted this year that six of the eight audits used a controls-reliant approach for at least one significant audit cycle. However, we observed again this year that audit teams have difficulty applying the controls-testing methodology and guidance, as detailed below.

**22.** We also observed that two teams identified automated controls as manual controls. In one instance, the audit team performed substantive testing but documented it as a test of controls.

**23.** We observed two audit files in which teams chose a sample size that did not match the planned level of assurance. For example, one team chose a sample size to achieve high assurance when moderate assurance was planned. Another team chose a sample size that corresponded to neither a high nor a moderate level of assurance. In addition, one of the teams concluded that the results of a control test were satisfactory, whereas “Not Applicable” was shown as a result of each test.

**24.** We noted in the annual audit files reviewed that, overall, identifying and documenting the definition of an error had improved over last year. However, in three of the eight files, we again found that teams identified exceptions in the control testing but did not document the impact of these exceptions on the audit assurance provided.

**25. Testing of underlying data.** In three of the eight audit files reviewed, we noted that teams used data from automated reports to perform audit work despite the fact that the controls in place for the reports had not been tested. The teams did not document why they believed the data was reliable. In two files, the audit teams used data to perform an analytical review. In both cases, the teams indicated that they were able to rely on the data because the organization had strong management and monitoring controls. However, we were unable to find evidence that the controls had been tested.

**26. Year of no change.** In situations where application controls have not changed significantly since the previous year, a year-of-no-change approach to the audit can be used, which involves relying on audit evidence from prior years.

Office methodology defines certain steps that are to be taken in order to use this approach.

**27.** In one file we reviewed, the audit team used the year-of-no-change audit approach for manual controls. Office methodology stipulates that this approach may not be used for manual controls. We also noted that although there had been a system change to the control environment throughout the period audited, the audit team did not document the nature of the resulting changes or how it concluded that they were not significant. We were unable to find evidence that the audit team consulted the Office's information technology (IT) audit team in reaching its conclusion. The audit team did not completely follow the Office's guidance and its documentation requirements in documenting why a year-of-no-change approach was justified.

**28.** We also observed that neither the file reviewers nor the quality reviewers identified the deficiencies in control testing that we have noted.

### **Role of the information technology audit team**

**29.** In six of the eight audit files we reviewed, audit entities used a complex Enterprise Resource Planning (ERP) system, which is an integrated system that facilitates the flow of information among all business activities of an organization.

**30.** As noted in our Report on a Review of the Annual Audit Practice: Practice Reviews Conducted in 2008–2009 (also called the 2009 Summary Report), the IT audit team should be involved in the audits of these complex entity systems because the activities and the controls within the entity are highly integrated.

**31.** Professional standards require auditors to understand the transaction flow and processes within business cycles, with a view to identifying key controls relevant to the audit. These controls can be manual or automated, or both. Hence, the need for the IT audit team and annual audit teams to work together to plan the extent of the work to be performed in testing and identifying key controls.

**32.** In six of the eight audits we reviewed, we noted that the IT audit team was not sufficiently involved. Moreover, its involvement was not timely—in some cases, the audit teams did not communicate with the IT team early enough in the audit; in other cases, the work of the IT team was carried out late, sometimes well into the field work.

**33.** Only one of the eight audit teams tested general computer controls related to the ERP application. It reported the weaknesses it identified to the entity's audit committee. However, the results of the IT team's work were provided too late to be used in the audit.

**34.** As required by the Office methodology and professional standards, the other audit teams should have documented reasons not to test general computer controls and should have reported weaknesses in the control system if the IT

environment could not be relied upon. Communications with the audit entity was deficient in that regard.

**35.** We also noted that discussions between the annual audit teams and the IT audit team were not held at the appropriate level. Senior practitioners from both teams should be involved early in the planning process to determine the strategic directions, extent, and timing of the work to be conducted.

### **Alignment of the planned audit approach and audit work performed**

**36.** We observed in six of the eight annual audit files we reviewed that the risks identified in the audit planning documents and in the audit procedures planned were not aligned with the audit work actually performed.

**37.** In two of the eight audits, some audit work that was planned was not performed. In four audits, work was performed that had not been planned and linked to identified risks and financial statements assertions. The latter cases resulted in unnecessary work being conducted.

**38.** The Summary of Comfort document is an audit tool that links the risk of material misstatement, the relevant assertions, audit work performed, and assurance gained. In six of the eight audit files reviewed, we observed that important information was missing from the Summary of Comfort documents.

**39.** We also observed that neither the file reviewers nor the quality reviewers identified the misalignment we have noted between the planned audit approach and the audit work actually performed.

### **Involvement of senior management**

**40.** We noted in our 2009 Summary Report that while senior management had clearly been involved in the audits, it was difficult to determine the extent and timeliness of their involvement. In reviewing the audits for the 2010 report, we observed an overall improvement in the evidence showing the timeliness of senior management's review of selected documents. However, in light of the practice review findings summarized in this report, more senior management involvement is needed in providing leadership and strategic direction and in actively participating in key meetings and decisions throughout the audits.

**41.** We noted that early in 2010, the product leader in collaboration with the Professional Practices Group developed a checklist tool to guide senior management's involvement in annual audits and to help them document this involvement. The checklist does not introduce new methodology; rather, it is a non-mandatory tool to help practitioners comply with existing methodology requirements.

## Understanding and assessing controls of a service provider

**42.** In three of the audits we reviewed, we observed that the audit entities used the services of a payroll provider. Assurance standards require the auditor to sufficiently understand the controls that the service provider has in place and to assess them. If the auditor intends to rely on the controls, audit evidence of their operating effectiveness needs to be obtained.

**43.** We noted that the three audit teams did not meet the requirements of assurance standards. In one audit file, we found that the audit team received the auditor's report on the service provider, but did not enquire into the auditor's professional reputation, competencies, and independence. Another team received a copy of the service provider's list of controls but did not link it to the audit file, related cycle, and audit procedures. In addition, the auditor's report on the service provider did not cover the same time period as the annual audit. The team did not document whether and to what extent additional audit work was required because of the differing time periods. Finally, another audit team did not obtain the Auditor's Report on the service provider's controls and did not use alternative means to obtain an understanding of the control environment, as professional standards require. The audit teams were able to provide additional documentation and explanations on the sufficiency of the audit evidence.

**44.** At the time of our review, we noted that guidance had not been provided to the audit teams to help them understand the assurance standards requirements.

## Consultation

**45. Consultation with internal specialists.** Overall, the eight annual audit files we reviewed showed improvement over last year's practice review findings in the documentation of audit teams' consultations with specialists and quality reviewers, where applicable.

**46.** However, more needs to be done to ensure that all required approvals are obtained before the Auditor's Report is signed and the results of the audit communicated to the audit entity.

**47.** In three of eight files we reviewed, the signatory was not informed that not all parties consulted had provided their sign-off or completed their work. In our view, the signatory should be informed of the outstanding procedures and sign-offs that still need to be obtained to finalize the audit.

**48. Quality reviewer.** A quality reviewer was assigned to four of the eight audit files. Each quality reviewer used the quality reviewer's checklist and, overall, the quality reviewer's involvement was more timely than in the audits reviewed last year.

**49.** At the same time, there is inconsistency in how the quality reviewers approach risk areas and the related audit work. In light of the observations noted in this report, it appears that the role of quality reviewer is not always well understood. We found that the quality reviewers did not always challenge the audit teams sufficiently or review working papers in areas related to higher risk or key elements of the QMS. The nature and extent of their work varied considerably from one file to another.

**50.** Moreover, we noted that while the comments of the quality reviewer were addressed by the audit teams, there was no overall assessment of the quality of the audit file. More specifically, we noted that when additional information needed to be added to the files to address the quality reviewer's comments, there was no indication that either the quality reviewer or the practitioners considered whether the comments might also apply to other sections of the audit file. Additional guidance and the use of more specific questions in the checklist would be useful.

## **Independence**

**51.** Assurance standards require that auditors be independent of the entity they are auditing. Accordingly, threats to independence and safeguards used to reduce such threats to an acceptable level must be assessed and documented. The Office has specific policies and procedures designed to avoid independence infractions. Notably, each auditor is required to complete a declaration of independence form for each assurance engagement they are assigned to.

**52.** As we did last year, we noted that not all individuals involved in the audit work confirmed their independence and completed the form. When the annual audits were conducted, the Office policy did not require that all individuals who were advising the engagement team on the conduct of the audit complete a declaration of independence form.

**53.** A revised practice advisory issued in December 2009 clarifying that all individuals involved in reviewing the audit work or advising engagement team members on the conduct of their work (for example, quality reviewer, internal advisor, internal specialist) are expected to assess, document, and address threats to independence at the beginning of every assurance engagement by completing an independence form.

## **Other observations noted in our reviews**

**54. Summary of unadjusted differences.** We observed in two of the eight annual audit files that the summary of unadjusted differences was incomplete or contained errors. In one of the files, errors were not carried forward to the summary of unadjusted differences. In the other file, the summary of unadjusted differences contained mathematical errors. One error was documented as having been corrected when that was not the case.

**55. Substantive testing methodology.** In one file, the audit team used statistical sampling and noted an error in the testing. The audit team then incorrectly concluded that the error was not material and did not extrapolate it.

**56. Documentation of reliance on internal audit.** We observed in one of the annual audit files that the audit team relied on the work of internal audit. However, the team did not evaluate the knowledge, competence, and independence of the internal audit staff, as the standards require. We further noted that limited guidance had been provided to the audit teams to help them understand the requirements.

**57. Audit entities with decentralized operations.** We observed in two audit files that audit entities carried out their operations in multiple locations, but the files lacked the documentation required when auditing entities with decentralized operations. Professional standards require that the auditor, in determining the locations where to perform audit work, should assess the risk of material misstatement of the financial statements associated with the location. The auditor should also link the amount of audit attention devoted to the location with the degree of risk.

**58.** In one of the two audit files, we noted that the team did not document the flow of transactions between the entity's locations. Nor did it document its rationale for determining the locations where to perform audit work. Further, there were no audit programs for the work to be conducted. Our review of the Office guidance and methodology in this area indicated that there has been little guidance provided to the audit teams to help them understand the requirements.

## **Follow-up of Management Actions on Recommendations of Previous Practice Reviews**

**59.** In the May 2009 Report on a Review of the Annual Audit Practice—Practice Reviews Conducted in 2008–09, we reported an opportunity for practice-wide improvements in the areas of training and guidance on controls reliance, IT involvement, and other areas. The report included management's action plan to address the recommendations.

**60.** As indicated earlier, management made it a strategic priority in the 2009–10 fiscal year to update and strengthen the design and implementation of the QMS. In response to significant changes in international and Canadian auditing standards, findings of internal practice reviews, and feedback received from practitioners, the Office has identified the need to renew its audit methodology for the three product lines: annual audit, performance audit, and special examinations. This initiative, Renewal of Audit Methodology (RAM), has many components, including a change management component to ensure an effective transition. A separate project dealing with the review of the Office's overall training strategy is also under way.

**61.** The Office has informed us that the many outstanding recommendations made in previous practice review reports will now be addressed as part of RAM, the training strategy, and other initiatives undertaken by management. We will continue to monitor how management considers recommendations made in previous years in these projects.

## Conclusion and Recommendations

**62.** For each of the eight annual audits we reviewed, the Auditor's Report was supported and appropriate. Furthermore, based on our practice reviews of the eight selected annual audits and on our cumulative knowledge, we conclude that the design and implementation of certain elements of the QMS that we reviewed need to be improved.

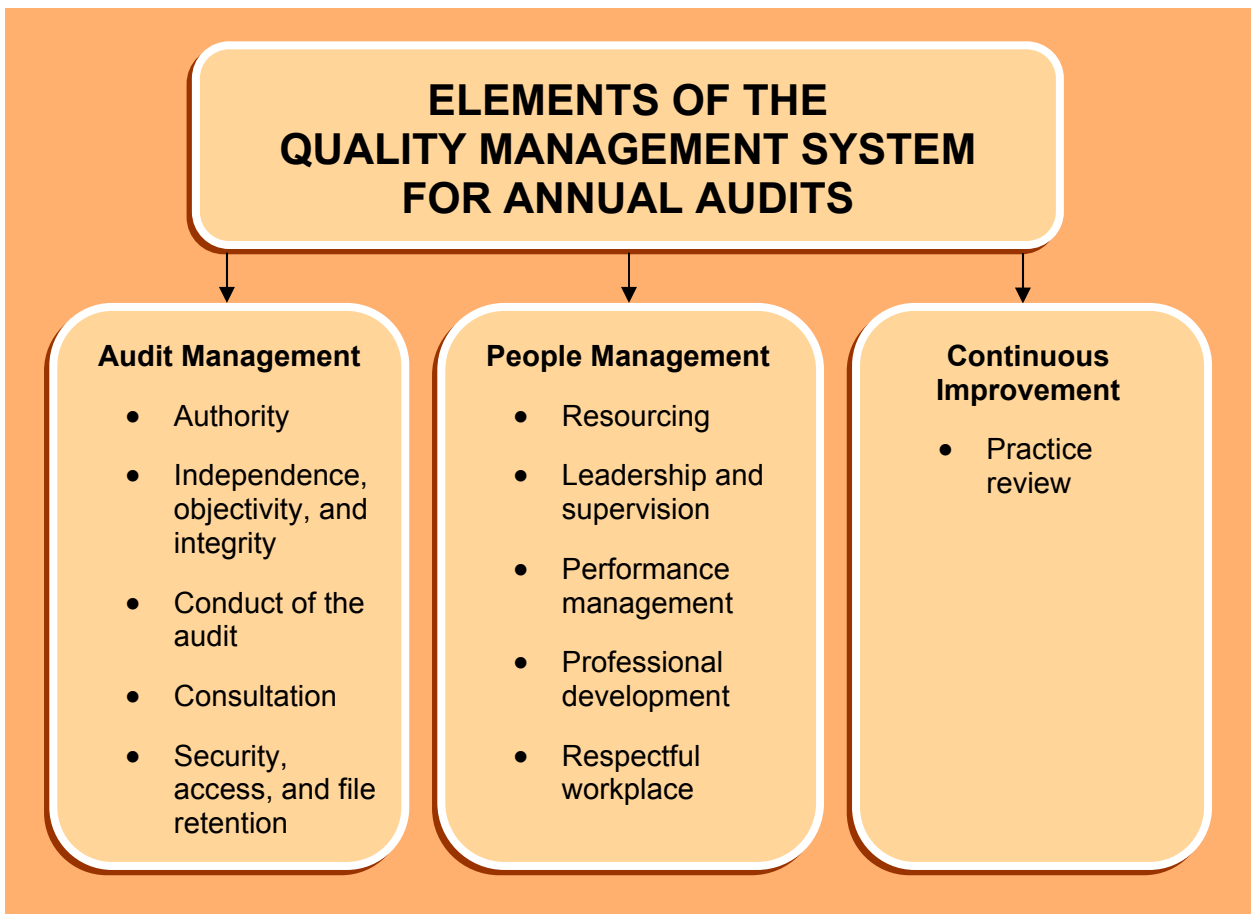
**63.** We discussed our observations and recommendations with senior management, who agreed with the recommendations.

**64. Recommendations.** The Office should

- prepare an action plan to address the observations noted in this report as well as the outstanding recommendations from previous years that relate to the development of methodology and/or its implementation;
- consider the observations noted in this report when reviewing its training approach and curriculum—more specifically, training should be offered in quality review and control testing; and
- review the nature, extent, and timing of the involvement of the IT audit team in the annual audit practice.

***Management has responded.*** Management agrees with the recommendations. Detailed responses and planned actions are included in Appendix C.

## Appendix A—Quality Management System for Annual Audits





## Appendix B—Quality Management System Elements and Process Controls Reviewed

Our review covers the following Quality Management System elements.

**Conduct of the audit.** We determined whether the audit was planned, executed, and reported in accordance with Canadian generally accepted auditing standards, applicable legislation, and Office policies and procedures. We considered whether the Office meets its reporting responsibilities by having in place appropriate audit methodology and recommended procedures and practice aids that support efficient audit approaches, producing sufficient audit evidence at the appropriate time.

**Finalization of audit files.** We determined if audit files were closed within 45 days after the Auditor's Report has been given final clearance by the signatory and the financial statements have been approved by the Board of Directors of the entity, or its equivalent, as required by Office policy.

**Consultation.** We determined whether consultation was sought from authoritative sources and specialists with appropriate competence, judgment, and authority to ensure that due care was taken, particularly when dealing with complex, unusual, or unfamiliar issues. We also determined whether the consultations were adequately documented, and whether the audit team took appropriate and timely action in response to the advice received from the specialists.

**Resourcing.** Based on interviews with staff and review of documents, we determined whether audit teams had collective knowledge of the subject matter and the auditing proficiency necessary to fulfill the audit requirements. As well, we determined whether the individuals carrying out the audit work had adequate technical training and proficiency. We also considered the number of staff and the timing of their availability.

**Independence.** We determined whether all individuals performing audit work, including specialists, were independent in carrying out their responsibilities and in forming their conclusions.

**Leadership and supervision.** We determined whether individuals working on the audit received an appropriate level of leadership and direction and that

- adequate supervision of all individuals, including specialists, was provided to ensure that audits were properly carried out;
- all audit team members were encouraged to perform to their potential; and
- all received appropriate recognition.

**Security.** We determined whether the audit teams followed appropriate procedures to ensure confidentiality and appropriate access to sensitive information. More specifically, we checked if the audit teams took protective measures in regard to classified information.

Our review covers the following key process controls.

**Review by the quality reviewer.** We determined whether the quality reviewer carried out, in a timely manner, an objective evaluation of the significant judgments made by the team, the conclusions reached in supporting the Auditor's Report, and other significant matters that have come to the attention of the quality reviewer during his or her review.

**Documentation.** We determined whether the work of the quality reviewer was adequately documented.

**Subsequent action.** We determined whether the audit team took appropriate and timely action in response to the advice received from the quality reviewer.

## Appendix C—Management Response to the 2010 Report on a Review of the Annual Audit Practice

### Introduction

Overall, the practice review report found that in all eight of the annual audits reviewed, the auditor's reports were supported and appropriate. However, in all eight audit files the implementation of certain areas of the QMS needed improvement. The report also noted some progress over last year's reviews in certain elements of the QMS.

The practice review report contains observations on the design and operation of the Quality Management System that the Office uses to manage its audit and assurance practices, as well as observations for the OAG to consider as it continues to improve its audit practices. The report also recognizes that the OAG is undertaking a number of improvement initiatives.

This document provides management's response to the practice review recommendations and observations that have been made as well as its associated Action Plan. The Action Plan also identifies responsibility for implementing the planned actions and timelines for completion.

The following key overarching elements apply to all parts of our practice review action plan.

- 1. Renewal of Audit Methodology (RAM) project.** This project includes revising and updating our audit methodology. The RAM project also includes revising and updating related audit tools, checklists, and training and developing a change management component to ensure that our methodology is put into practice.
- 2. Involvement of senior management.** It is crucial that senior managers are involved, in a timely and appropriate manner, in all phases of the audit, key judgements, and key conclusions resulting from the audit work.
- 3. Monitoring of the Action Plan.** Individual projects within the Action Plan are themselves being monitored through existing mechanisms (for example, a steering committee regularly meets to oversee the RAM project). The Office's Executive Committee will also monitor progress and ensure that audit methodology is fully complied with in practice. Success in addressing the issues raised in the report will also be monitored by the ongoing practice review program.

## Responses and Action Plan

Practice Review Observations	OAG Response/Planned Actions	Responsibility
<p><b>Recommendation:</b></p> <p>The Office should prepare an action plan to address the observations noted in this report as well as the outstanding recommendations from previous years that relate to the development of methodology and/or its implementation. (paragraph 64)</p> <p><b>Specific observations for improvement:</b></p> <ul style="list-style-type: none"> <li>Difficulties in applying a controls-reliant approach—audit teams have difficulty applying the controls-testing methodology and guidance. (paragraphs 21–28)</li> <li>Need to clarify the role of the information technology audit team—Senior practitioners from both the entity audit team and the IT audit team should be involved early in the planning process to determine the strategic directions, extent, and</li> </ul>	<p><b>Agreed.</b></p> <p>The specific actions to be undertaken to address the observations contained in the practice review report are as follow (actions related to prior year's recommendations have been provided to the practice review team in a separate document).</p> <p><b>Specific actions:</b></p> <ul style="list-style-type: none"> <li>We will remind auditors to use the controls-testing methodology and guidance already in place. We will also remind audit file reviewers to ensure that auditors have properly and completely applied that methodology and guidance and appropriately documented their compliance. These will be done through, as appropriate, new audit training to principals and directors in designing and applying a controls-reliant approach, the September 2010 staff update sessions, and other fora.</li> <li>We have commenced a project to better integrate IT audit work with audit team planning, examination, and reporting. The project will be completed by September 2010, with action commencing in fall 2010 to be applied for audits with fiscal years ending on or after 31 December 2010.</li> </ul>	<p>Assistant Auditor General (AAG), Professional Practices Group/Product Leader<sup>1</sup>/All AAGs</p> <p>AAG IT Audit/Product Leader</p>

<sup>1</sup> The Office has appointed Assistant Auditors General as product leaders for each of its audit practice lines. The primary functions of a Product Leader are to provide leadership for the audit practice line, provide oversight for the audit practice line, and contribute to the quality of individual audits.

Practice Review Observations	OAG Response/Planned Actions	Responsibility
<p>timing of the work to be conducted. (paragraphs 29–35)</p> <ul style="list-style-type: none"> <li>Alignment of the planned audit approach and audit work performed—both the risks identified in the audit planning documents and the audit procedures planned were not aligned with the audit work actually performed. (paragraphs 36–39)</li> <li>Understanding and assessing controls of service providers—need for improved audit evidence and documentation in cases where the auditor intends to rely on the controls (audit evidence of their operating effectiveness needs to be obtained). (paragraphs 42–44)</li> <li>Consultation—need to improve timeliness of approvals by specialists and consistency of work done by quality reviewers. (paragraphs 45–50)</li> </ul>	<ul style="list-style-type: none"> <li>In fall 2009, we provided our auditors with additional audit guidance to assist them in documenting risk assessment procedures.</li> <li>In May 2010, we provided our auditors with additional audit guidance to help ensure that sufficient and appropriate audit documentation exists within our electronic working paper files. This additional guidance included specific references to understanding and using services provided by service providers.</li> <li>We will remind auditors, specialists and quality reviewers to follow, in a timely manner, the methodology and guidance already in place for reporting the results of audit work and obtaining approval by specialists and the signatory. We will also remind audit file reviewers to ensure that auditors have properly and completely documented their compliance. These will be done through, as appropriate, audit training, the September 2010 staff update sessions, and other fora.</li> </ul>	<p>All AAGs</p> <p>All AAGs</p> <p>AAG, Professional Practices Group/Product Leader/All AAGs</p>

Practice Review Observations	OAG Response/Planned Actions	Responsibility
<ul style="list-style-type: none"> <li>• Need for improved senior management involvement to better prevent the observations contained in the practice review report. (paragraphs 40–41)</li> <li>• Need for improved file reviews to better detect the observations contained in the practice review report. (paragraphs 28 and 39)</li> </ul>	<ul style="list-style-type: none"> <li>• Management is also developing a tool to provide further guidance for quality reviewers in all product lines, which will be available in December 2010.</li> <li>• The Office also issued Senior Management Involvement and Documentation checklists in May 2010.</li> <li>• We will remind practitioners to use this guidance and we will remind audit file reviewers to ensure that practitioners have properly and completely documented their compliance with Canadian Auditing and Assurance Standards through, as appropriate, audit training, the September 2010 staff update sessions, and other fora.</li> </ul>	<p>AAG, Professional Practices Group</p> <p>All AAGs</p> <p>AAG, Professional Practices Group/Product Leader/All AAGs</p>
<p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>• The Office should consider the observations noted in this report when reviewing its training approach and curriculum. More specifically, training should be offered in quality review and control testing. (paragraph 64)</li> </ul>	<p><b>Agreed.</b></p> <ul style="list-style-type: none"> <li>• For 2010–11, management has identified four priorities for audit training—Canadian Auditing Standards, International Financial Reporting Standards, Quality Reviewer, and AAG Milestone training.</li> </ul> <p><b>Specific actions:</b></p> <ul style="list-style-type: none"> <li>• In March 2010, the Office approved a Strategic Training Approach to implement a vision that by September of 2012, the Office will have a curriculum and training plan in full operation for all three product lines that reflects new standards and updated methodologies.</li> </ul>	<p>AAG, Professional Practices Group/Product Leader/AAG Corporate Services</p>

Practice Review Observations	OAG Response/Planned Actions	Responsibility
	<ul style="list-style-type: none"> <li>All practice review recommendations relating to training will be incorporated into the development of the new curriculum and training plan. Once this curriculum and training plan are fully implemented (by September of 2012), all future practice review recommendations will be incorporated into updates of the curriculum and training plan on an annual basis.</li> </ul>	AAG, Professional Practices Group/Product Leader /AAG Corporate Services
<p><b>Recommendation:</b></p> <p>The Office should review the nature, extent, and timing of the involvement of the information technology audit team in the annual audit practice. (paragraph 64)</p>	<p><b>Agreed.</b></p> <p>We have commenced a project to better integrate IT audit work with audit team planning, examination, and reporting. The project will be completed by September 2010, with action commencing in fall 2010 to be applied for audits with fiscal years ending on or after 31 December 2010.</p>	AAG IT Audit/Product Leader