

Report on a Review of the Direct Engagements Completed in the 2018–19 Fiscal Year

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Practice Review and Internal Audit



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Introduction

The Practice Review and Internal Audit team helps the Office of the Auditor General of Canada (OAG) to meet its obligation under the Chartered Professional Accountants of Canada's Canadian Standard on Quality Control 1. The team does this by conducting inspection activities to determine the extent to which engagement leaders are complying with Canadian auditing standards, OAG policies, and applicable laws and regulations when conducting their audits. The team also ensures that audit reports are supported and appropriate.

Objective

The practice review's objective is to provide the Auditor General of Canada with assurance that

- direct engagements (performance audits and special examinations) comply with Canadian standards on assurance engagements for direct engagements, OAG policies, and applicable laws and regulations
- audit reports are supported and appropriate

Scope

This report summarizes the reportable observations related to the practice reviews of 6 direct engagements (4 performance audits and 2 special examinations) completed in the 2018–19 fiscal year.

Rating

Each audit file reviewed is rated as one of the following:

- **Compliant.** Performance is satisfactory with minor improvements possible. The audit file is compliant in all significant respects with Canadian standards on assurance engagements for direct engagements, OAG policies, and applicable laws and regulations.
- **Compliant while improvements needed.** Improvements are necessary in 1 or more areas to comply, in all significant respects, with Canadian standards on assurance engagements for direct engagements, OAG policies, and applicable laws and regulations.
- **Non-compliant.** Significant deficiencies exist; the audit file does not comply with Canadian standards on assurance engagements for direct engagements, OAG policies, or applicable laws and regulations.

After completing each review, we also conclude whether the audit report is supported and appropriate.

Results of the Reviews

Exhibit 1 summarizes the reportable observations related to the practice reviews.

Exhibit 1 Summary of reportable observations

A. Engagement management	Some engagement team members did not complete an independence confirmation form. (4 audit files)
B. Planning phase	<ul style="list-style-type: none"> Consultations were initiated with internal specialists during the planning phase, but we found no documentation of the agreement between the individual seeking consultation and the party consulted. (2 audit files) The entity's acknowledgment of responsibility and of the suitability of the criteria was missing from the audit file. Also, we found no assessment of the impact of missing the entity's acknowledgement on the audit work or on the audit report. (1 audit file)
C. Examination phase	<ul style="list-style-type: none"> The identification of high-risk paragraphs was not properly documented before issuing the principal's (PX) draft. (2 audit files) The review of the working papers and documents supporting the substantiation of high-risk paragraphs was not adequately documented. (2 audit files) Before issuing the deputy minister (DM) draft, the review of the substantiation for the recommendations and the conclusion was not documented. (1 audit file)
D. Reporting phase	<ul style="list-style-type: none"> The report was dated before all the required events occurred. (1 audit file) The DM draft was issued before the engagement leader certified that the audit work on the audit report was complete. (1 audit file)
E. Engagement quality review	
F. Efficiencies	
G. Other practice improvements	The audit file documentation was not assembled and finalized within the 60 calendar days of the tabling date. (1 audit file)
H. Summary of good practices observed	<ul style="list-style-type: none"> The substantiation of the report was particularly well done and organized. (1 audit file) In a government-wide audit involving a large number of organizations, we found that the tracking information and the findings from the working papers were clear, easy to follow, and well organized. (1 audit file)

Recommendations

None.

Conclusion

Of the 6 direct engagement files reviewed, all were rated as compliant while improvements needed. Improvements were necessary in 1 or more areas to comply, in all significant respects, with Canadian standards on assurance engagements for direct engagements, OAG policies, and applicable laws and regulations.

All audit reports were supported and appropriate.