

Generally Accepted Government Auditing Standards (GAGAS) Peer Review – Office of the Auditor General

Presented by
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To

City of Greater Sudbury Oversight/City Council
Meeting –May 22, 2012

Presentation Outline

- GAGAS Peer Review Process
 - About Government Auditing Standards
 - Scope and Methodology
 - Objectives
 - Review activities
 - Opinion
 - Opportunities for Improvement
- Next Steps and Questions

GAGAS Peer Review Process

About Government Auditing Standards (GAS)

GAS contains standards for audits of government organizations, programs, activities, and functions, and of government assistance received by contractors, nonprofit organizations, and other nongovernment organizations. These standards, often referred to as generally accepted government auditing standards (GAGAS), are to be followed by auditors and audit organizations when required by law, regulation, agreement, contract, or policy. These standards pertain to auditors' professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful audit reports.

GAGAS Peer Review Process

- Scope and Methodology for GAGAS
 - Based on the 2007 revision of GAGAS
 - Conducted from February 27-March 2, 2012, by a team of qualified, independent audit professionals
 - Conducted in conformance with the *Peer Review Guide published by the Association of Local Government Auditors*

GAGAS Peer Review Process

- Objectives –
 - Assess the IA activity's conformance with GAGAS,
 - Evaluate the Internal Audit activity's effectiveness in carrying out its mission, and
 - Identify opportunities to enhance its management and work processes, as well as its value to the City of Greater Sudbury.

GAGAS Peer Review Process

- Review Activities

- ALGA guided background assessment documents prepared by the IA activity were analyzed by independent review team
- IA stakeholders surveyed
- Interviews with IA activity oversight personnel, executives and audit staff
- Internal quality control system of IA activity was reviewed and tests were conducted in accordance with ALGA Peer Review Guide
- Closing meeting conducted March 2, 2012
- Draft report presented to IA activity March 26, 2012 to the Office of the Auditor General for response

GAGAS Peer Review Process

- GAGAS Compliance Opinion

Based on the results of the GAGAS Peer Review, the IA activity's internal quality control system was found to be operating effectively to provide reasonable assurance of compliance with GAGAS. As part of the review process, each member of the review team independently assessed the IA activity's compliance with the applicable sections of GAGAS. Accordingly, in our overall opinion, the City of Greater Sudbury, Office of the Auditor General, is in Full Compliance with GAGAS. (Full compliance does not imply complete or perfect conformance with GAGAS and may be opportunities for further improvement.

GAGAS Peer Review Process

- Establishing a new IA activity can be a very challenging experience. All parties agreed on the importance of – and the need for – an effective IA activity.
- The Office of the Auditor General has established a solid foundation for the IA activity with conformance to GAGAS.

GAGAS Peer Review Process

- Opportunities for Improvement – IA activity

Opportunities for enhancement of the IA activity and the value added to the organization by the Office of the Auditor General **not** GAGAS conformance affecting.

1. Establish Audit Project Protocols – document commitments made by Audit and Clients in an effort to alleviate situations.
2. Expand the IA Activity's Quality Control System – expand to include quality of IA activity services and performance indicators to stakeholders.
3. Streamline the Audit Reporting Process – reduce length, appendix statistics, consolidate low risk items, and use a collaborative writing style.
4. Contribute to the Improvement of Risk Management/Control – utilize IA activity skills to assist management in proactive identification and response to emerging risks.

GAGAS Peer Review Process

- Opportunities for Improvement - Oversight

Opportunities for consideration by the Oversight/City Council for enhancement of the IA activity and **not** GAGAS conformance affecting. These are included for impact on the effectiveness of the IA activity and the value added and based on the review team's experience with successful practices in other public sector organizations.

1. Evaluate the IA activity Mandate and Audit Approach— Establish expectations from Oversight body of the IA activity and together determine the best approach used to meet these expectations
2. Enhance Audit Oversight – Addition of independent oversight members, audit training for members, additional oversight activities, and establishing a formal audit committee.

Next Steps and Questions

- GAGAS Peer Review Process Final Steps
 - Submission of City of Greater Sudbury report responses from the Oversight/City Council to IIA
 - Final report review and signature from IIA
- Questions –

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