

WHAT TO EXPECT FROM A PERFORMANCE AUDIT

When people think of an audit, they often think of financial records, and financial statements. In addition to financial audits, the Office of the Auditor General conducts special audits and examinations, which are called performance audits. Performance audits, like financial audits, are an important part of an open and accountable government. We'd like to introduce you to performance audits – what they are, why we do them and what you can expect during one. We look forward to working with you.

WHO IS THE AUDITOR GENERAL?

The Auditor General is an independent officer of the Legislative Assembly of Prince Edward Island (Assembly) appointed under the authority of the *Audit Act*. The Auditor General is accountable to the Assembly, not the Government of Prince Edward Island. This independence enables the Office of the Auditor General of Prince Edward Island (Office) to offer independent, non-partisan observations and recommendations on government operations and management practices.

WHAT DOES THE OFFICE AUDIT?

The *Audit Act* provides the Office with the authority to conduct audits and examinations of provincial departments, Crown corporations, agencies, and various funds. The Office is also authorized to conduct special audits of any public contractor or funding recipient, who have received government funds.

WHAT IS A PERFORMANCE AUDIT?

Performance audits are sometimes referred to as “value-for-money” audits because they can advise whether there is value received for the money being spent by government. Performance audits determine if an auditable entity is achieving its purposes, is doing so economically and efficiently, and is complying with applicable statutory provisions. Our performance audits are conducted in accordance with the assurance standards of the Chartered Professional Accountants of Canada.

HOW DOES THE OFFICE DECIDE WHAT TO AUDIT?

We choose audit topics based on a number of factors, such as:

- requests from the Assembly;
- letters from the general public;
- financial, social and environmental impact;
- relevance to residents;
- our capacity to do the work; and
- our goal of making a positive difference for Islanders.

THE AUDIT PROCESS

IDENTIFICATION PHASE

The audit team researches and prepares a project proposal for the Auditor General's approval. Only approved projects continue to the next phase.

PLANNING PHASE

Our Office will inform management of the organization that it will be audited. Our Office will also request that the organization identify key contact(s). The key contact(s) will aid in making arrangements to interview staff of the organization being audited, and provide documents required to develop an audit plan. Our Office will confirm our common understanding of the terms of the engagement through an engagement letter that will identify the audit's objective(s), scope, criteria, and timelines with the organization being audited.

EXAMINATION PHASE

The audit team spends this phase collecting evidence to allow the Office to conclude on the audit objective and criteria. This will be done mainly through interviews, data collection, sample testing, observation as well as results analysis. At the end of this phase, the audit team discusses their findings and conclusions with management of the organization that is being audited.

REPORTING PHASE

The Auditor General reports findings through a formal report. Prior to the report being finalized, the organization being audited must provide a management representation letter. This is formal document signed by management of the organization confirming management's understanding and fulfillment of their responsibilities during the audit process; specifically, that they accept responsibility for the subject matter under audit and that they have disclosed all relevant information.

Management of the organization being audited will have the opportunity to review and discuss the draft report and is given the opportunity to include a response to each recommendation in our final report. The final report will be tabled in the Assembly and will then become a public document. All of our reports are posted on our website.

FOLLOW-UP

Upon completion of the audit report, we expect management of the audited organization to develop an action plan to address the report's recommendations. We do not infringe on management's right to select the best course of action to address recommendations. We will begin to request annual progress updates on the implementation of the recommendations approximately one year after our audit report and will continue to do so for three additional years.

For each recommendation management reports as implemented, we will request details on actions taken and then conduct follow-up work to determine if there is evidence to allow us to conclude that the recommendation was implemented. We conduct procedures to obtain limited assurance to support our conclusions and report these within our annual report to the Assembly.

WHAT YOU CAN EXPECT FROM US

PROFESSIONALISM

Professional behaviour from our staff throughout the audit process.

EXPERTISE

Audit teams will be well informed on topics. If necessary, we will hire subject matter experts to ensure that we have the necessary knowledge to conduct the audit.

INDEPENDENCE

We report to the Assembly using a fair, objective, and non-partisan approach. We adhere to our independence standards and professional code of ethics, avoiding real and perceived conflicts in our relationships and in the conduct of our work.

CONFIDENTIALITY

As per the *Audit Act*, all the records generated during our work are exempt from disclosure under the terms of the *Freedom of Information and Protection of Privacy Act*.

NO SURPRISES

We will keep you informed every step of the way, including clear and timely communication about significant audit issues. This includes early and clear communication about the audit topic and the resources (time, staff, etc.) we will require.

VALUABLE FEEDBACK

Audits are an opportunity to gain insight into your organization, and aid in continuous improvement to the public sector management. After the audit is completed, we will send a survey to allow the audited organization to provide feedback to our Office about our communication, understanding of the audited entity, and professionalism during the audit. Our Office will use this feedback to evaluate our staff's performance, and to determine where improvements in our audit process may be required.