



Audit Supervision

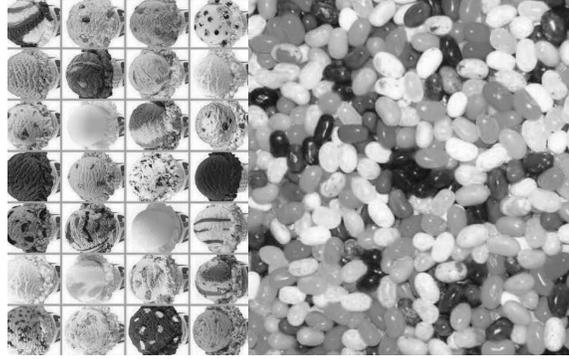
Presented by: Erica Smith

Course Objectives



- Identify supervisory activities required by audit standards, and best practices
- Understand key components of oversight of independent public accountants and consultants
- Understand requirements for an audit organization internal quality control system

2



Important to remember:

- **No two inspector general functions are exactly the same**
- **No two inspector general audit functions are exactly the same**
- **Many flavors of inspector general functions**

3

Professional Standards



4

What is Supervision?

- Oversight ➤ Direction ➤ Stewardship
- Guidance ➤ Review ➤ Coaching
- Management ➤ Correction ➤ Protection

Ensuring that the right things happen
and the wrong things don't...

internal control.

5

When is Supervision?

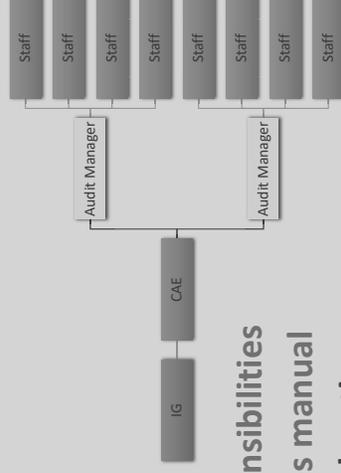
- Ongoing as part of an overall system of quality control.
- At each stage of each audit.



6

Who is Supervision?

- Ultimately, the IG
- But functionally, the CAE
- CAE may delegate
- Clarify supervisory responsibilities in policies & procedures manual
- Document any further delegation



7

GAGAS – Yellow Book

Chapter 8: Fieldwork Standards for Performance Audits

- “8.87 Auditors must properly supervise audit staff.
- 8.88 Audit supervision involves providing sufficient guidance and direction to auditors assigned to the audit to address the audit objectives and follow applicable requirements, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training. ★
- 8.89 The nature and extent of the supervision of staff and the review of audit work may vary depending on a number of factors, such as the size of the audit organization, the significance of the work, and the experience of the staff.”

8

GAGAS – Yellow Book, contd.



Chapter 8: Fieldwork Standards for Performance Audits

- “8.135 Auditors should document the following: [...]
★ c. supervisory review, before the audit report is issued, of the evidence that supports the findings, conclusions, and recommendations contained in the audit report.”

9

GAGAS – Yellow Book, contd.

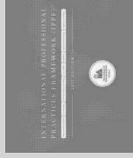
Assigning Auditors

Chapter 8: Fieldwork Standards for Performance Audits

- “8.31 Audit management should assign sufficient auditors with adequate collective professional competence, as described in paragraphs 4.02 through 4.15, to conduct the audit. Staffing an audit includes, among other things:
 - a. assigning auditors with the collective knowledge, skills, and abilities appropriate for the audit;
 - b. assigning a sufficient number of auditors to the audit;
 - c. providing for on-the-job training of auditors; and
 - d. engaging specialists when necessary.”

10

IIA – Red Book



“2340 – Engagement Supervision
Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

- Interpretation:
The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.”

11

Summary of Standards on Supervision

1. Establish policies & procedures re: supervision
2. Assign appropriate staff
3. Guide staff and provide on-the-job training
4. Provide quality control
 - audit reports are accurate, objective, clear, concise, constructive, and timely
 - workpapers adequately support the audit findings, conclusions, and reports
5. Document evidence of supervisory review (occurring before the report is issued)

12

Summary of Standards, contd.

- But, there is flexibility...
- Nature and extent of supervision depends on audit objectives & staff experience
- No required method of documenting supervisory review.

Select a method that works for you operationally.

For example:

- Initial and date (electronically or hard copy)
- Tracked Changes in Microsoft Word
- Approval through electronic worksheet system or case management system

13

Monitoring Independent Public Accountants (IPAs) and Consultants

Federal IG Act of 1978 requires federal OIGs to

- “establish guidelines for determining when it shall be appropriate to use non-Federal auditors; and
- take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General [i.e., GAGAS].”

(5 USC Appendix 3 § 4(b))

Not required for the rest of us, but not a bad idea...

14

Monitoring IPAs and Consultants, contd.

Determine specifications and follow your agency’s required contracting process.

Prior to selecting an IPA, verify that

- IPA’s latest peer review was favorable
- proposed personnel are appropriately qualified
- IPA meets independence standards

Document this verification



15

Monitoring IPAs and Consultants, contd.

OIG should

- Designate a senior staff member to monitor IPA, be point of contact, and facilitate communication between IPA and auditee
- Host the entrance/exit conferences and send notification letters
- Perform level of monitoring appropriate for degree of responsibility OIG accepts for IPA’s work
- Review IPA’s findings before communicated to auditee
- Retain documentary evidence of IPA monitoring (peer review)

(see also 2007 federal best practice guide
<https://www.ignet.gov/sites/default/files/files/committees/audit/affs0907.pdf>)

16

Audit Organization Internal Quality Control System

Tone at the top!

“5.03 An audit organization’s system of quality control encompasses the audit organization’s leadership, emphasis on performing high quality work, and the organization’s policies and procedures designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.”



17

Audit Organization Internal Quality Control System, contd.

“1300 – Quality Assurance and Improvement Program

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

1311 Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity... ”

18

Audit Organization Internal Quality Control System, contd.

Elements of overall quality control:

1. Compliance with standards
2. Appropriate training and supervision of staff
3. External peer review
4. Workpaper controls and retention
5. Independent Review of audit report and workpapers

19

Audit Organization Internal Quality Control System, contd.

Develop a quality control system to

- Prevent, detect, and correct errors
- Drive continual improvement

Develop a good P&P manual and use it!



20

Audit Organization Internal Quality Control System, contd.

“5.42 The audit organization should establish policies and procedures for monitoring its system of quality control.”

“5.47 Monitoring of quality is a process comprising an ongoing consideration and evaluation of the audit organization’s system of quality control, including inspection of engagement documentation and reports for a selection of completed engagements...”

“5.44 The audit organization should analyze and summarize the results of its monitoring process at least annually...”



21

Audit Organization Internal Quality Control System, contd.

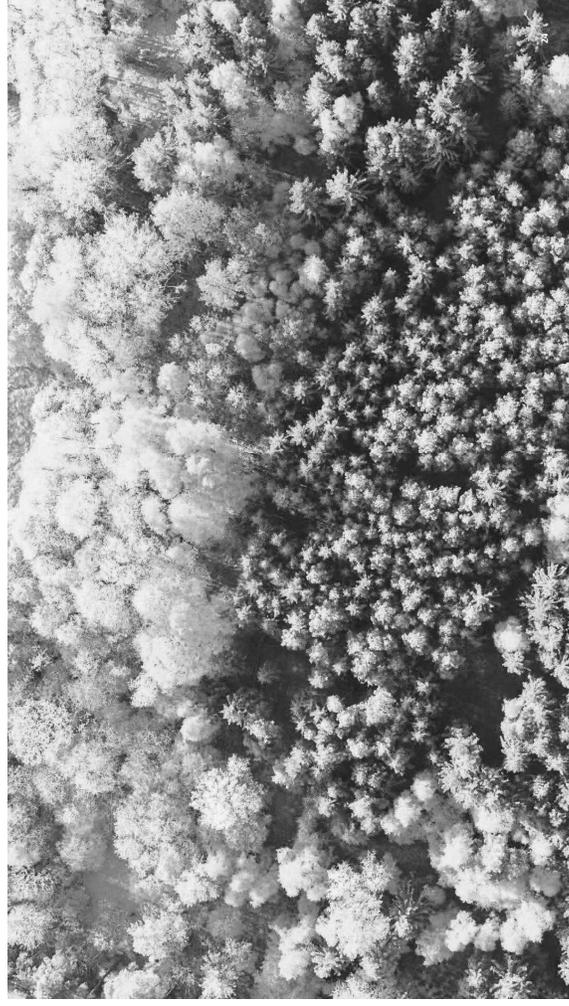
“1320 – Reporting on the Quality Assurance and Improvement Program

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

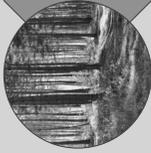
• Interpretation:

... the results of ongoing monitoring are communicated at least annually.”

22

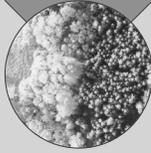


Detailed vs. High-Level Review



Detailed workpaper reviews by auditors and supervisor

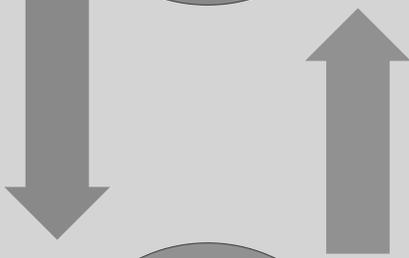
- accuracy
- completeness
- critical workpapers, at a minimum (supervisor)



High-level reviews by director

- standards are followed
- audit objectives are being met
- staff are carrying out their responsibilities

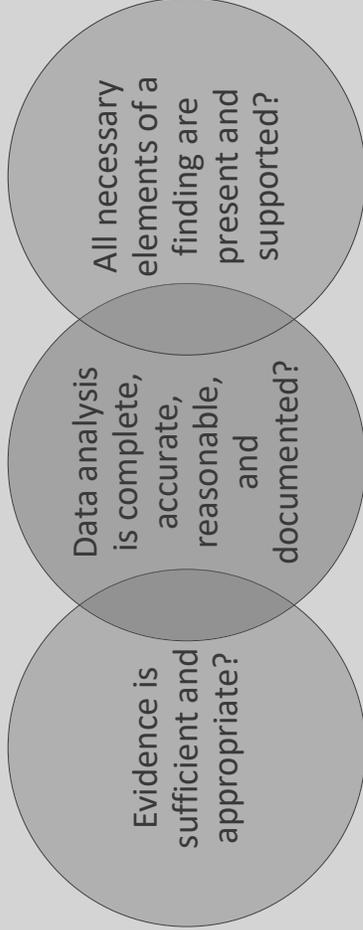
Planning Review



Document supervisor's approval of objectives, scope, and methodology—and of any significant changes to them.

Review the planning documents to ensure the plan was followed and documentation is complete.

Fieldwork Review



Evidence is sufficient and appropriate?

Data analysis is complete, accurate, reasonable, and documented?

All necessary elements of a finding are present and supported?

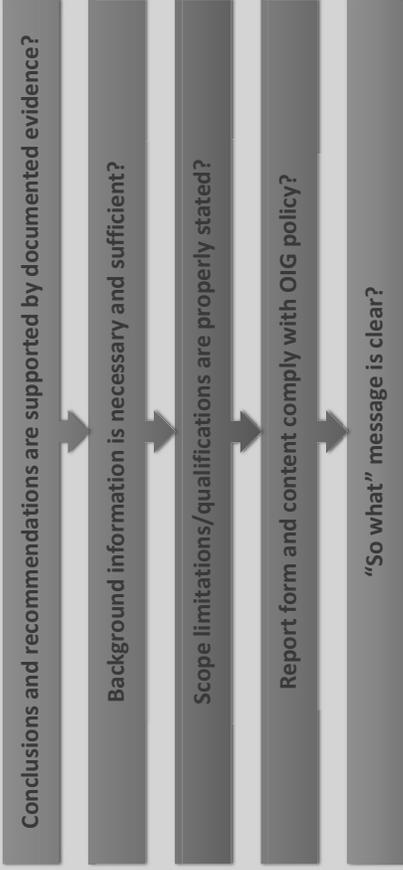
Independent Review of Audit Report



Use an Independent Review process to ensure audit report is complete, accurate, and meets all standards.

Assign an auditor not involved with the audit to check all references and verify all facts/assertions are supported in audit documentation.

Reporting Review



Additional Review of Audit Report

Drafts should undergo extensive reviews at several levels.

- Consider review by: other auditors in your office, other leadership in your office, General Counsel, Public Information Officer, etc.

Instruct reviewers on the purpose of their review:

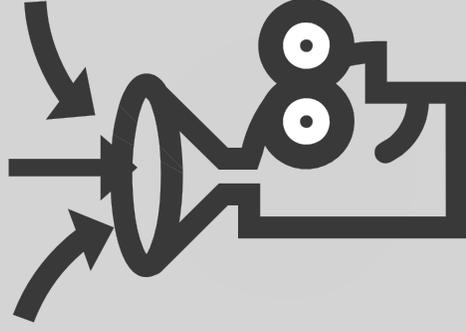
- Proofreading/typographical
- Logic/flow
- “So what” message
- Clarity/tone

What am I looking for?



How to Deliver Supervisory Review

- Discuss written corrections orally first?
- Discuss positive aspects first to reinforce?
- Explain rationale for your changes?
- Use a Review Form with space for author to confirm correction and supervisor to sign off?
- Identify needed changes to document templates or P&P manual?



Methods of Supervision

Meet the audit standards, but be thoughtful about how to achieve the broader goals of staff development, quality assurance, and continuous improvement for the OIG.

- What is the best way to guide your staff with on-the-job training?



- ❖ Team meetings
- ❖ One-on-one progress reports
- ❖ Role modeling
- ❖ Demonstration
- ❖ E-mails
- ❖ Scheduled updates
- ❖ In-house training
- ❖ Group presentations
- ❖ Tracked Changes
- ❖ Mock interviews
- ❖ Audit de-briefs



- ★ Do your staff have different needs?

Yes!

Attitudes and Behaviors of Great Supervisors

And tips for Supervisees

Primary Functions

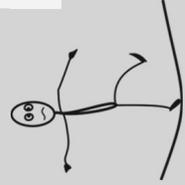


Auditor



Supervisor

What is Supervision?



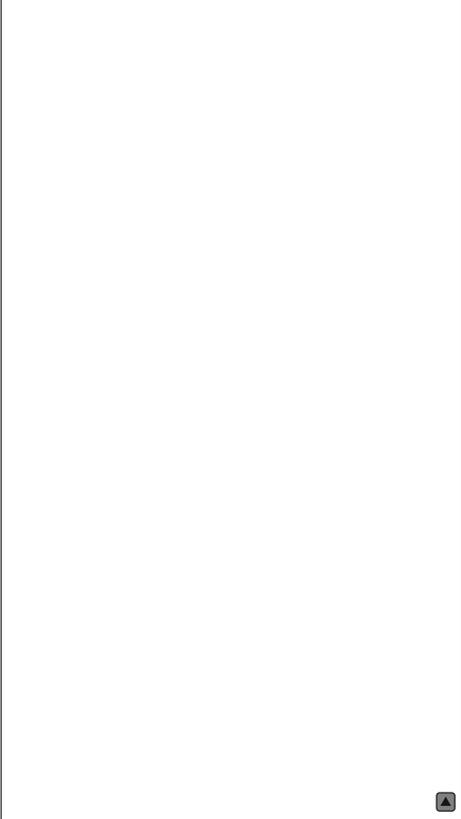
Employee Development Stages

Novelty

Uncertainty

Mastery

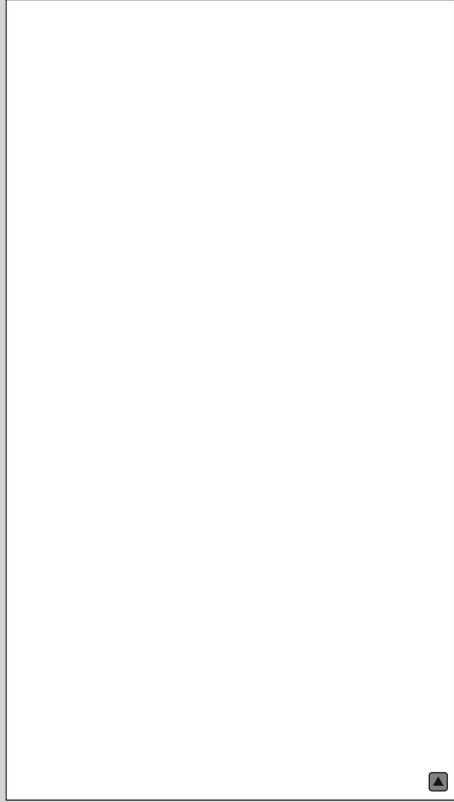
The Best Boss



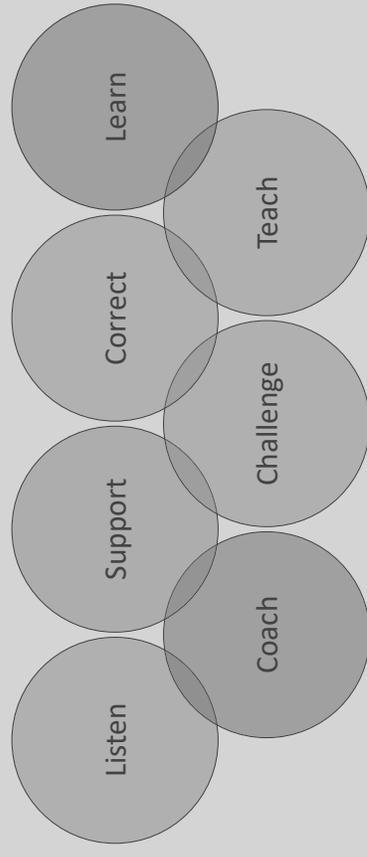
The Worst Boss



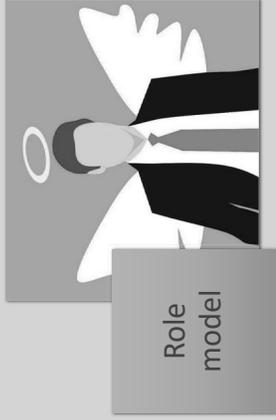
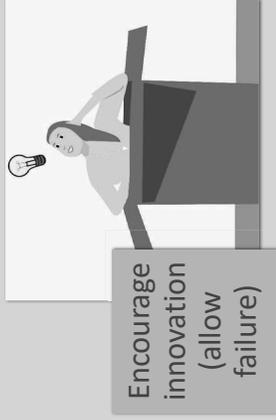
The Worst Day...Ever.



Behaviors of a Good Supervisor



Behaviors of a Good Supervisor



Qualities of a Good Supervisor



 Say 5 times as many positive as negative things

 Say “thank you” a lot

 Request, accept, and use feedback

 Provide feedback in the form of:

- Keep doing
- Stop doing
- Start doing

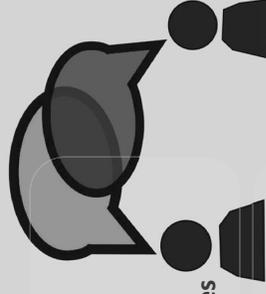
Tips for Supervisees

Frequent communication with supervisors

- Provide updates
- No surprises
- Ask questions
- Seek buy-in
- Express your preferences

Whenever in doubt, ask

- What are your expectations?
- I think we should do this, what do you think?
- Would you do it this way?



Supervision Summary



Lessons Learned During My Career

1. Don't take yourself too seriously.
2. Keep it interesting.
3. Spend time on culture.
4. Set a high bar for yourself and employees.
5. Sometimes you won't know what to do... it's okay.
6. You won't always get recognition... it's okay.



Questions? Comments?

Presented by:
Erica Smith
Deputy Inspector General – Audit and Review Division
City of New Orleans Office of Inspector General
(504) 681-3210
esmith@nola.oi.g.gov