



Audit Supervision

Presented by: Erica Smith

Course Objectives



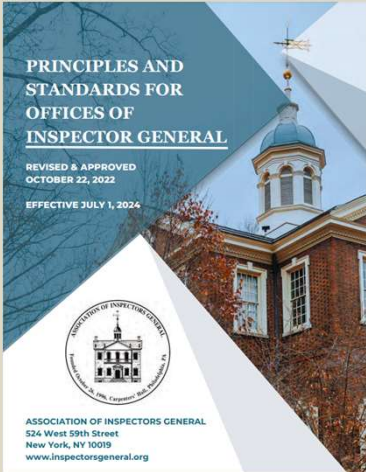
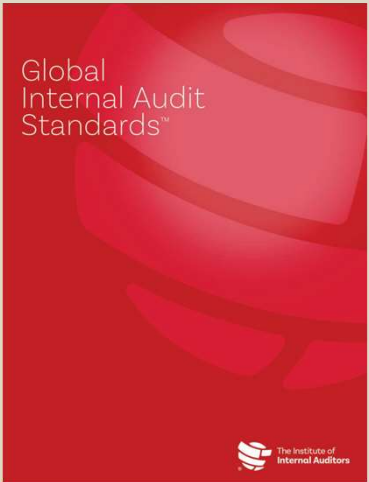
- Identify supervisory activities required by audit standards, and best practices
- Understand key components of oversight of independent public accountants and consultants
- Understand requirements for an audit organization internal quality control system



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

Professional Standards



What is Supervision?

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

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

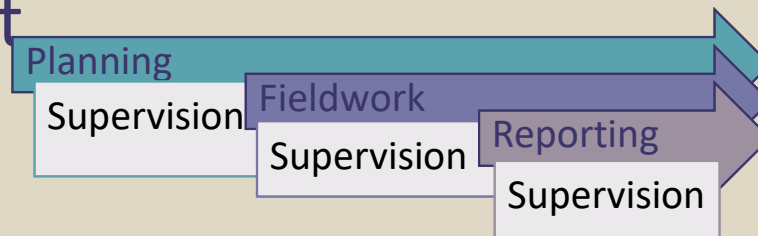
internal control.

When is Supervision?

- Ongoing as part of an overall system of quality control/management.

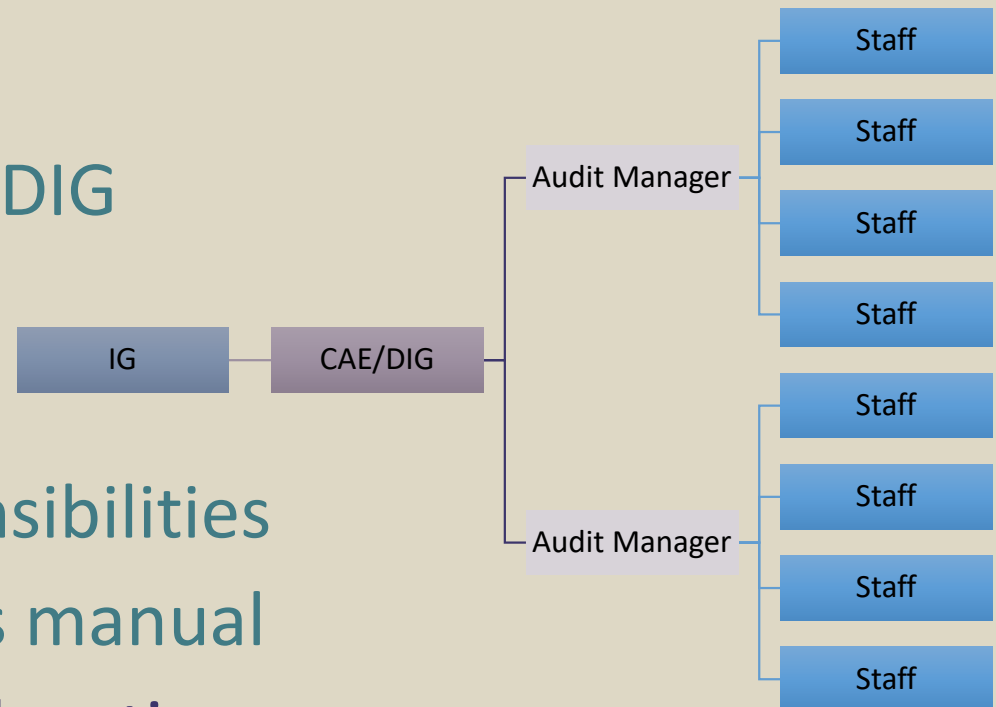


- At each stage of each audit



Who is Supervision?


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



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.

GAGAS – Yellow Book, contd.

Government Auditing
Standards

2024, Revision
(Supersedes GAO-21-368G)

GAO-24-106786 | February 2024

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.”

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.



IIA – Red Book

Standard 12.3 Oversee & Improve Engagement Performance

The CAE must establish and implement methodologies for engagement supervision. CAE must...

- provide guidance throughout the engagement, verify work programs are complete, and confirm workpapers adequately support findings, conclusions, and commendations.
- provide auditors with feedback about their performance and opportunities for improvement.
- ensure supervision is documented and retained.

Extent of supervision depends on proficiency and experience

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)

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 workpaper system or case management system

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...

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



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>)

Audit Organization System of Quality Management

Tone at the top!

5.03 In GAGAS, a system of quality management consists of the following components:

- **governance and leadership;**
- **independence, legal, and ethical requirements;**
- **acceptance, initiation, and continuance of engagements;**
- **engagement performance;**
- **resources; and information and communication.**

Audit Organization System of Quality Management

5.03 Two Processes:

1. The risk assessment process includes assessing and responding to risks to achieving the quality objectives.

2. The monitoring and remediation process includes

- a. providing relevant, reliable, and timely information about the design, implementation, and operation of the system of quality management;**
- b. taking appropriate actions to respond to and remediate identified deficiencies in the system of quality management; and**
- c. enabling the audit organization to assess compliance with professional standards and with policies and procedures it has established to address quality risks.**

Audit Organization System of Quality Management

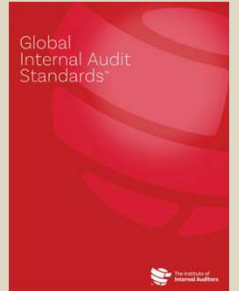
5.05 An audit organization conducting engagements in accordance with GAGAS must design, implement, and operate a system of quality management that provides it with reasonable assurance that the audit organization and its personnel

- a. fulfill their responsibilities in accordance with professional standards and applicable laws and regulations and**
- b. b. perform and report on engagements in accordance with such standards and requirements.**

An effective system of quality management provides an audit organization with reasonable assurance that it and its personnel fulfill their responsibilities in accordance with professional standards and perform and report on engagements in accordance with such standards and requirements.

Audit Organization

Internal Quality Assurance



Standard 8.3 Quality

The CAE must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:

- External assessments. (See Standard 8.4 External Quality Assessment.)
- Internal Assessments. (See Standard 12.1 Internal Quality Assessment.)

Quality Management Risk Assessment Process

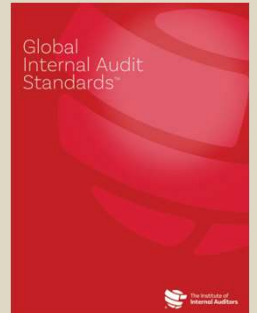
**Government Auditing
Standards**

2024 Revision
(Supersedes GAO-21-3686)

GAO-24-106786 | February 2024

5.19 The audit organization should design and implement a risk assessment process that establishes quality objectives, identifies and assesses quality risks, and designs and implements responses to address the quality risks.

Audit Organization Internal Quality Control System, contd.



Standard 8.1 Board Interaction

The CAE must report to the board and senior management results from the quality assurance and improvement program. The Board establishes expectations with the CAE for the frequency with which the Board wants to receive communications from the CAE.

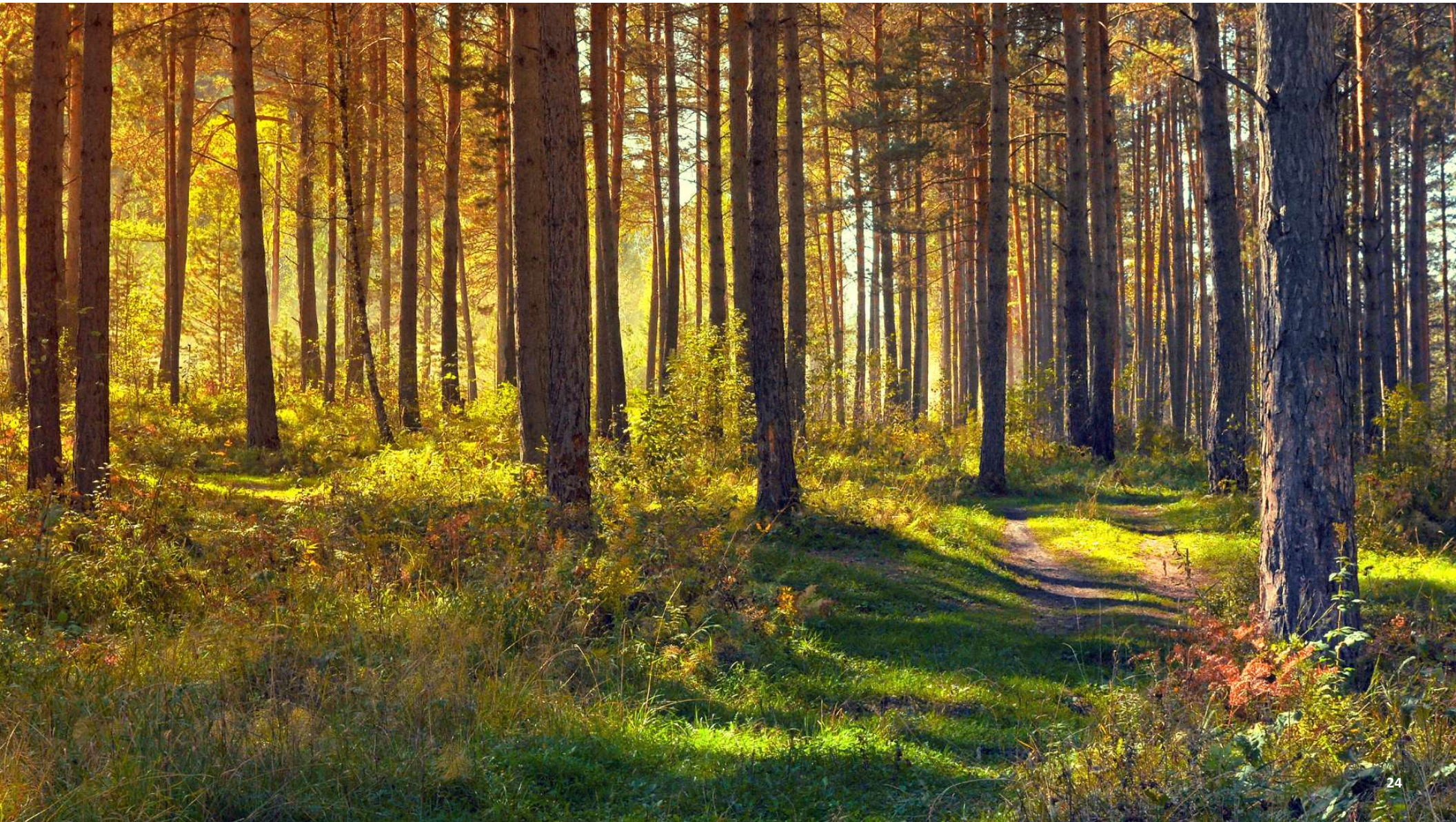
Elements to Ensure Quality Engagements

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

Ensuring Quality Engagements

- Prevents, detects, and corrects errors
- Drives continual improvement

Develop a good P&P manual and use it!





Detailed vs. High-Level Review



Detailed workpaper reviews by auditors and supervisor



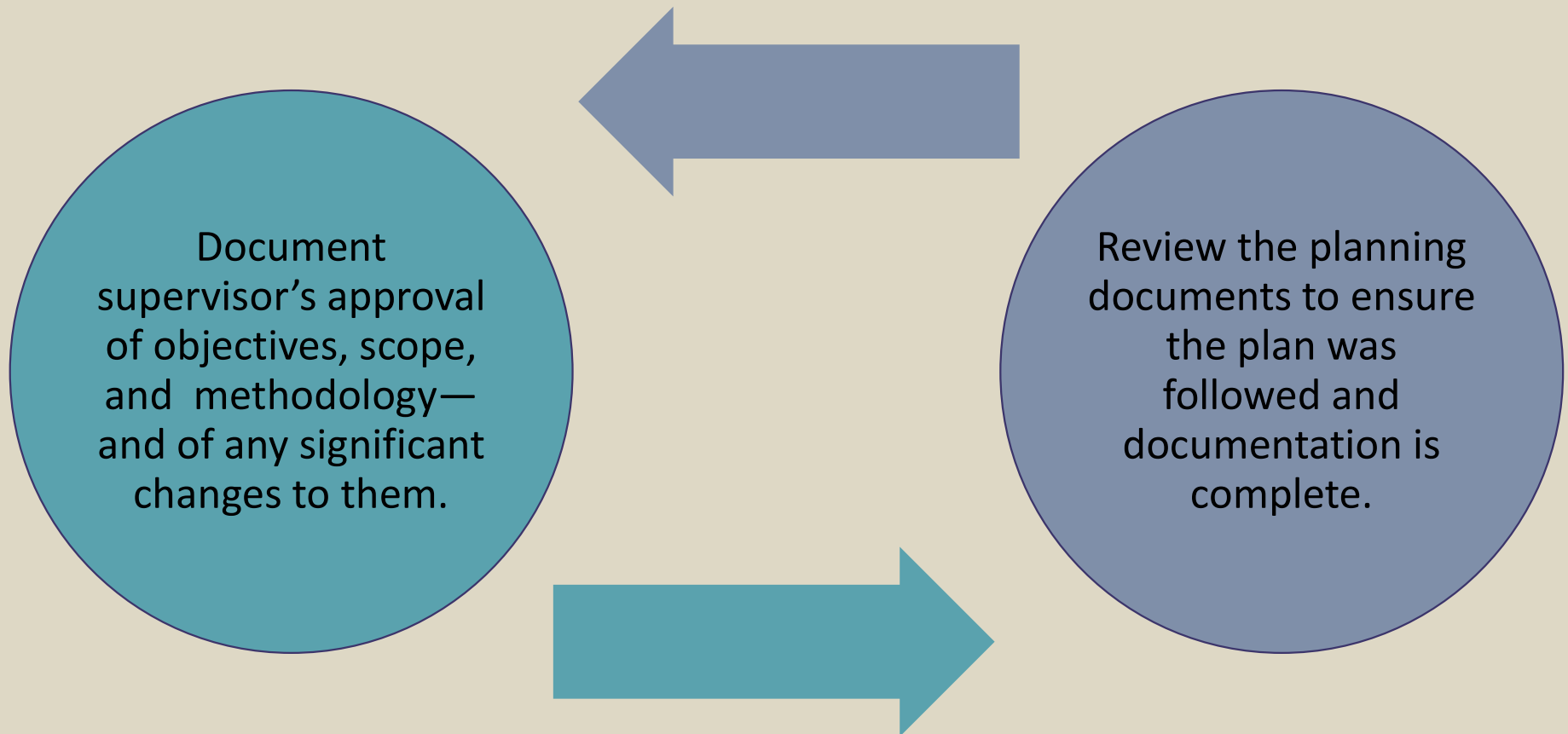
- accuracy
- completeness
- critical workpapers, at a minimum (supervisor)



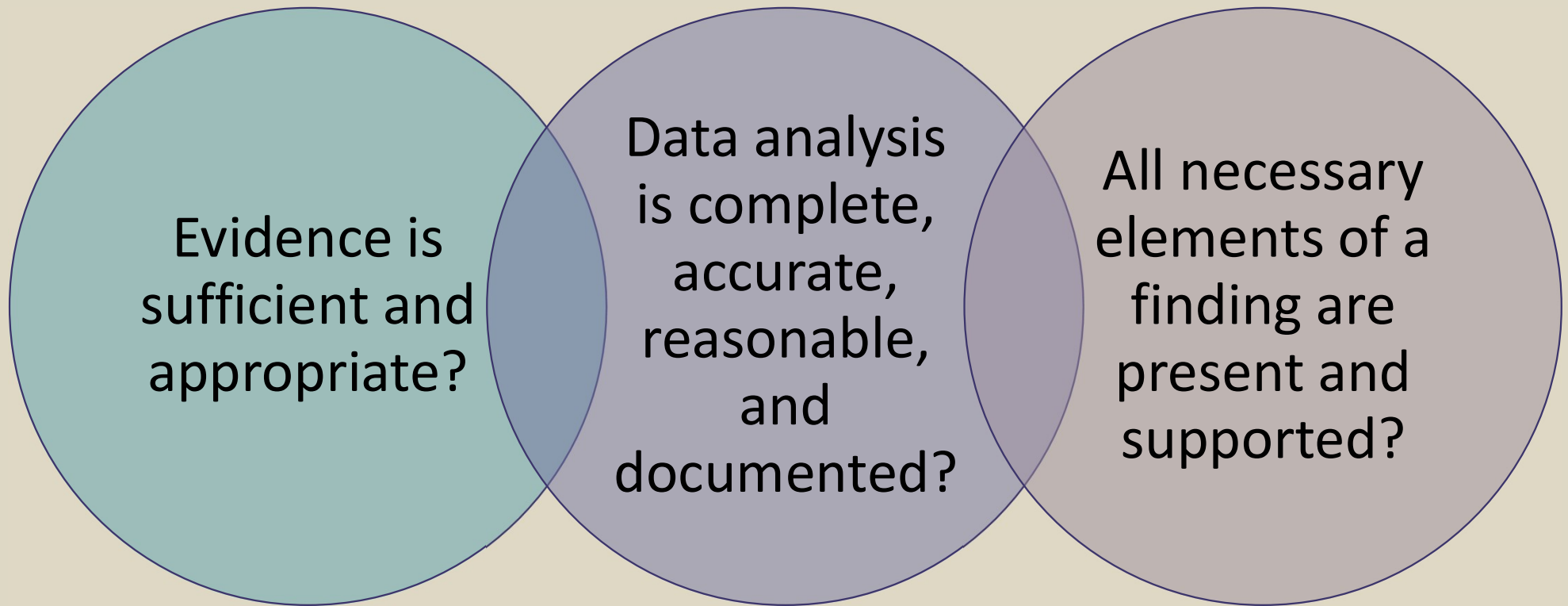
High-level reviews by director

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

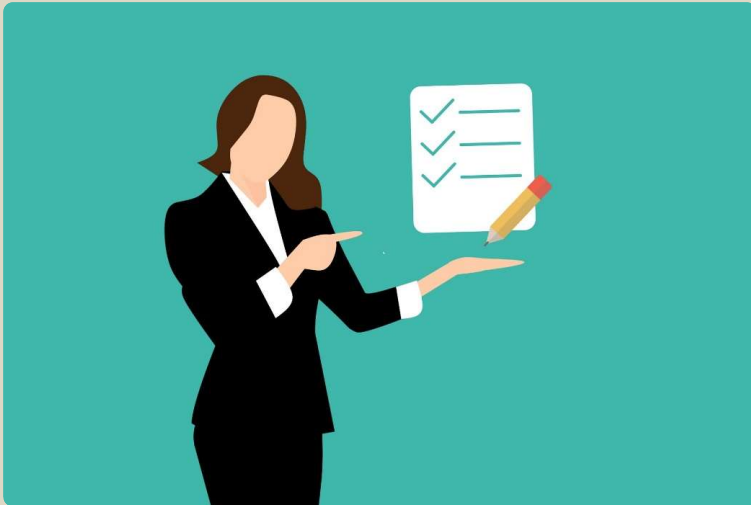
Planning Review



Fieldwork Review



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

Conclusions and recommendations are supported by documented evidence?



Background information is necessary and sufficient?



Scope limitations/qualifications are properly stated?



Report form and content comply with OIG policy?



“So what” message is clear?

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.

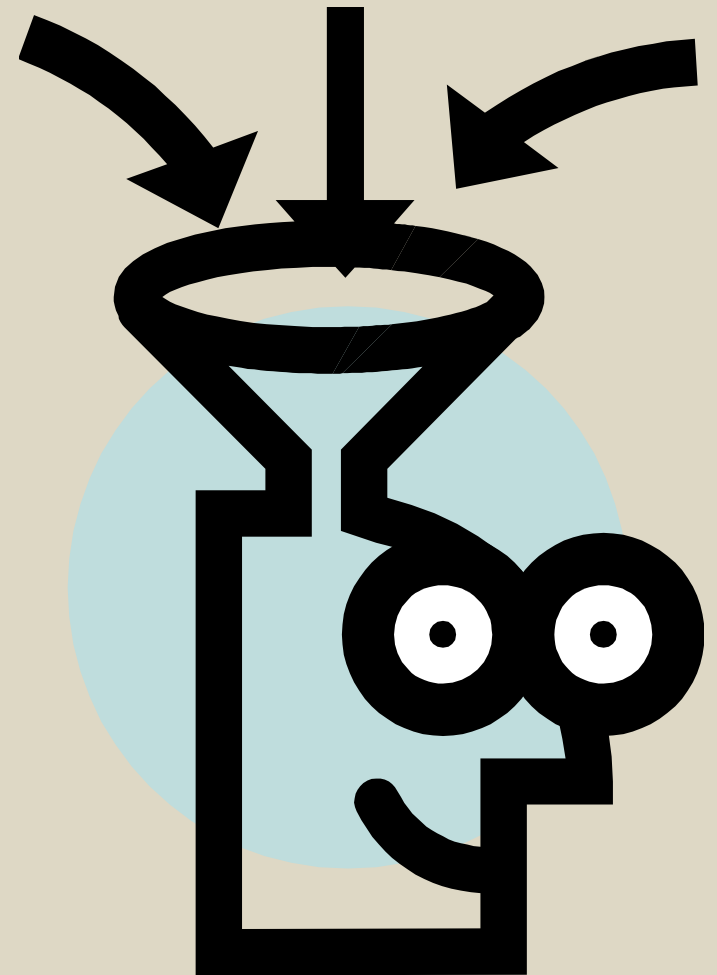
Instruct reviewers on the purpose of their review:

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



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?

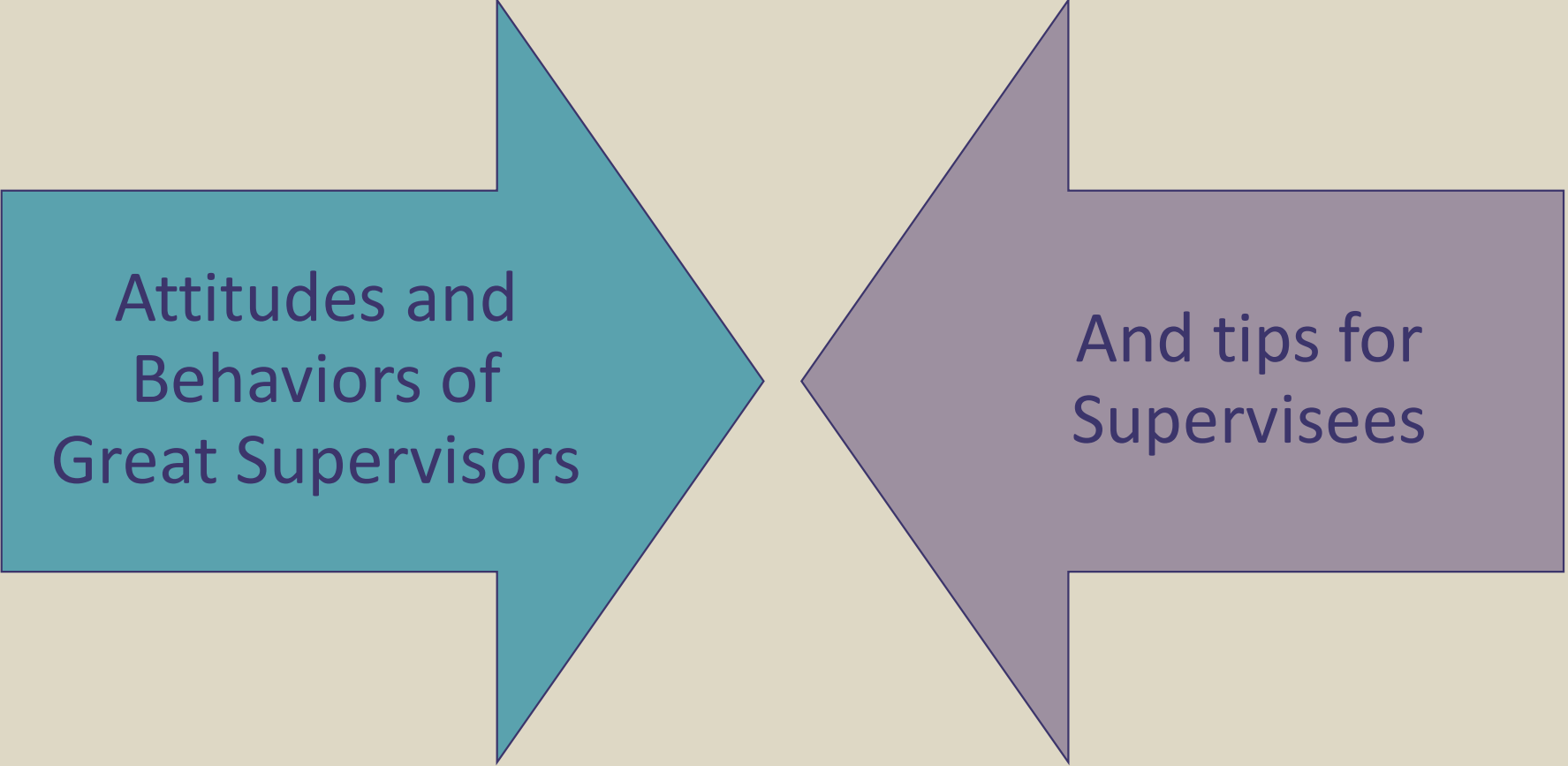


- ❖ Team meetings
- ❖ One-on-one progress reports
- ❖ Role modeling
- ❖ Demonstration
- ❖ E-mails
- ❖ Scheduled updates
- ❖ In-house training
- ❖ Group presentations
- ❖ Tracked Changes
- ❖ Mock interviews
- ❖ Audit de-briefs



- ★ • Do your staff have different needs?

Yes!



Attitudes and
Behaviors of
Great Supervisors

And tips for
Supervisees

Primary Functions

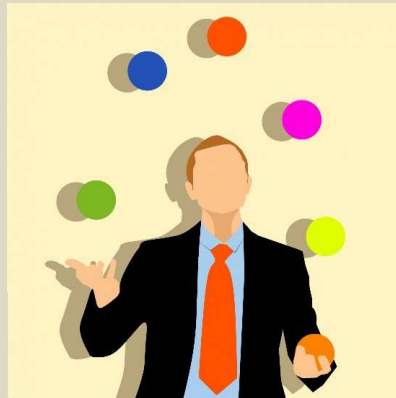


Auditor



Supervisor

What is Supervision?



Employee Development Stages



Novelty

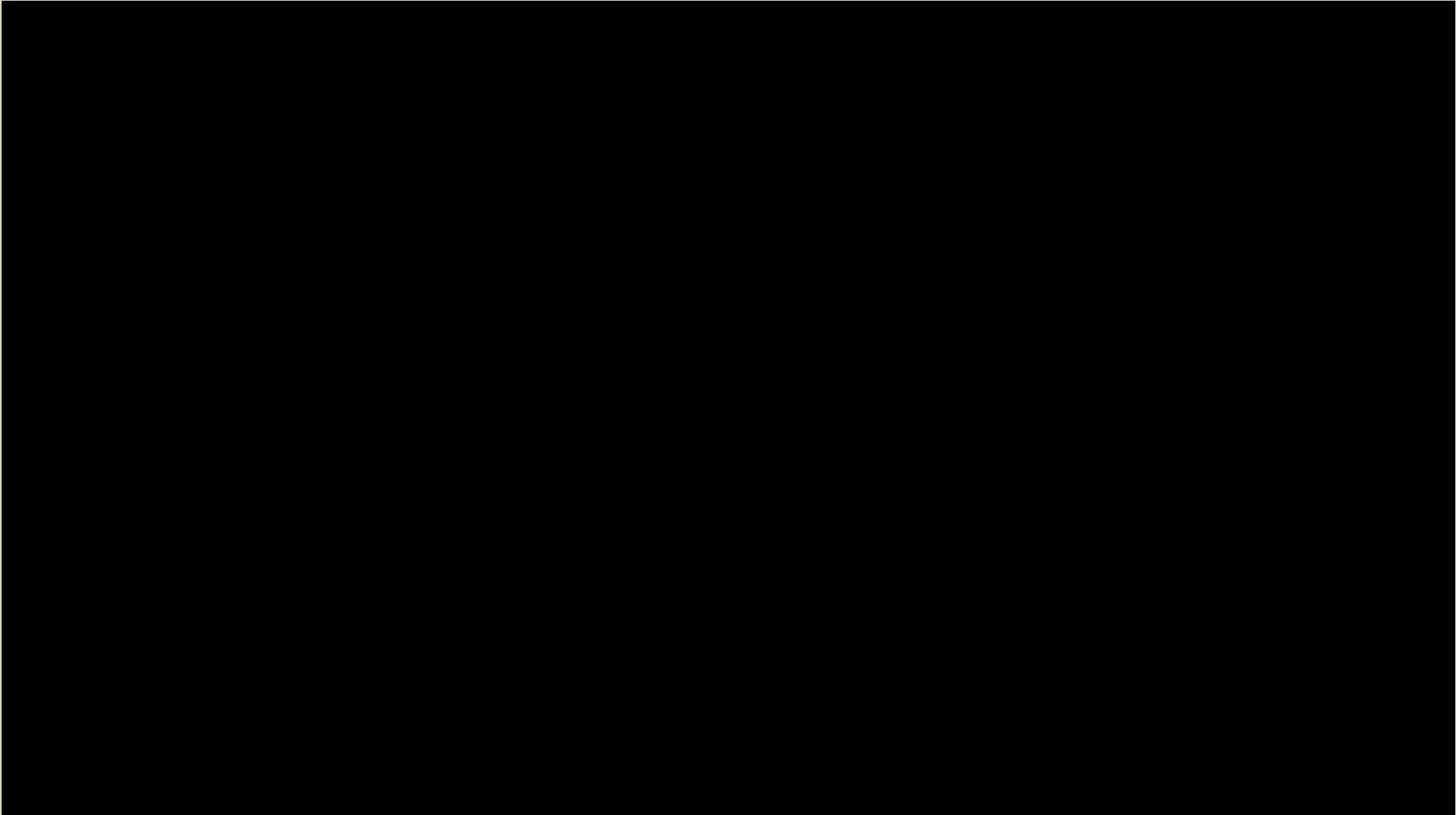
Uncertainty

Mastery

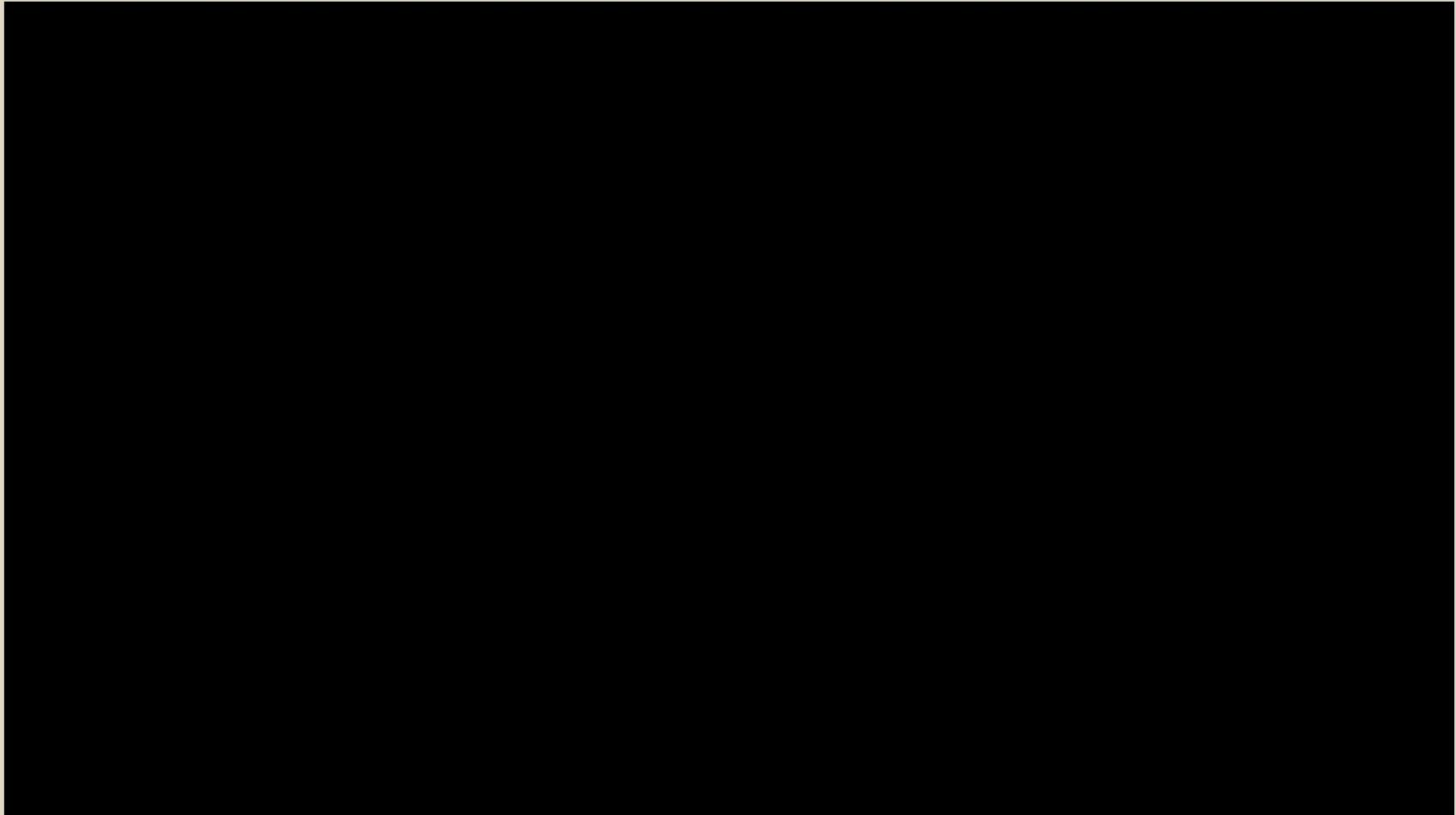
The Best Boss



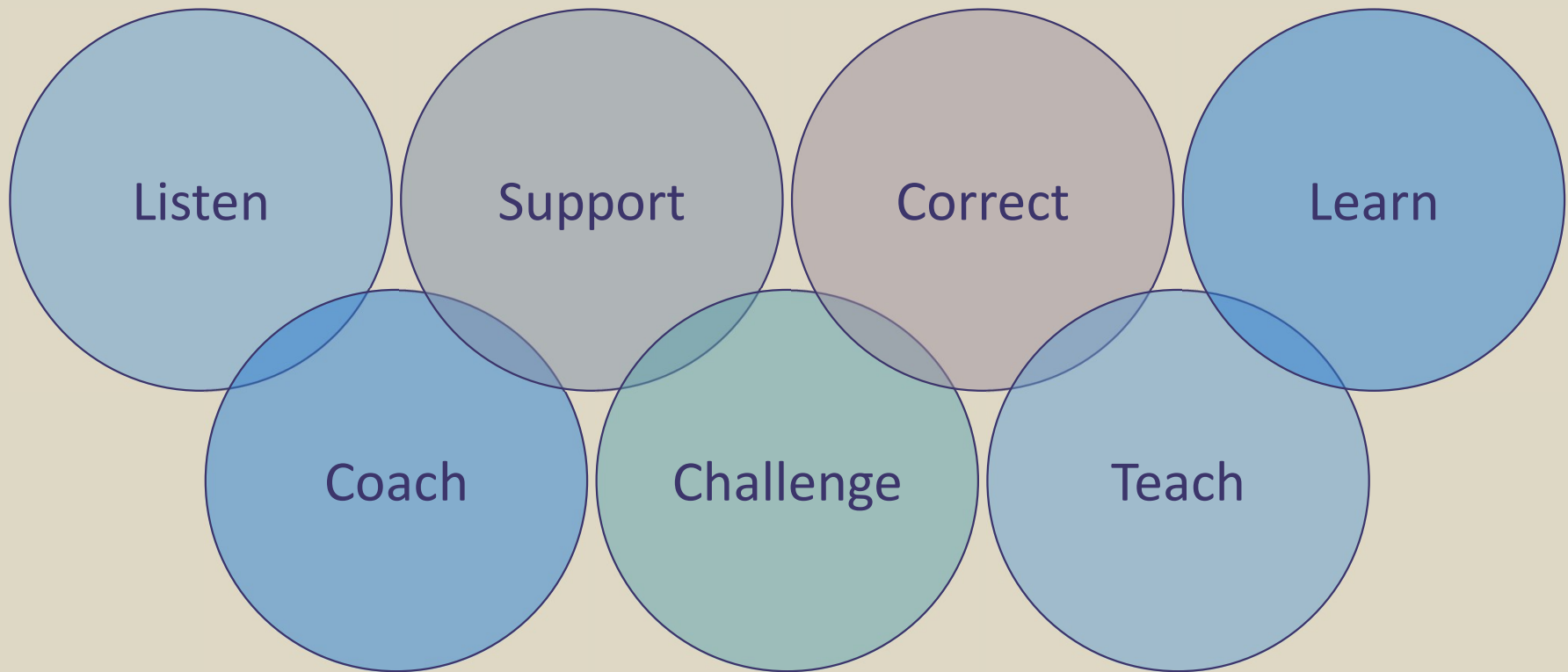
The Worst Boss



The Worst Day...Ever.



Behaviors of a Good Supervisor



Behaviors of a Good Supervisor

Encourage
innovation
(allow
failure)



Role
model



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 Supervisors

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?



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?



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Look me up on



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