Individual audits should be adequately planned to meet the audit objectives in an effective and efficient manner.

Planning the Audit

Every audit requires professional judgment and individual initiative. After an audit has been selected for implementation, decisions need to be made about the following:

- what and how much to audit;
- the audit objectives;
- what audit approaches, methodology and technology to employ to assess performance related to the integrity of the appointment process; and
- what skills, disciplines and experience to assign to the audit.

The approach taken to arrive at a conclusion about each audit objective is an iterative one. Information is gathered and assessed, and decisions are made about whether to proceed to the next stage or whether additional input and consultation are necessary. This allows the audit team to identify at an early stage whether or not an audit will be cost-effective or whether the approach needs to be revised. Audits can be modified or cancelled before significant costs are incurred.

Initial letter

Audit teams send a letter advising the entity's Deputy Head, Head of Human Resources (HR) and Chief Audit Executive (CAE) of the PSC's intent to conduct an audit in that entity, per the audit-planning cycle of the Audit, Evaluation and Studies Branch (AESB).

Overview phase

This phase is also referred to as 'desk review,' that is, all research that can be conducted ahead of the engagement letter, without requiring access to the auditee's staff or files. This research can be done by collecting information that is available publicly or within the PSC.

The overview phase process will feed the next audit planning phase, called the survey phase.

Audit proposal

During the planning phase, the audit team prepares an audit proposal for approval by the Vice-President of AESB at the RMC. The audit team documents the preliminary audit objective(s) and scope per the annual audit plan and identifies new priorities, if applicable (in the case of audits of horizontal issues, audit teams may include more detailed scoping information, including the potential entities involved, the relevance of the issue to the PSC's mandate and the potential significance to parliamentarians).

Audit profile

The audit team acquires a sound knowledge and understanding of the subject of the audit (entity staffing activities or government-wide staffing function), without carrying out detailed verification prior to commencing detailed planning of the audit. Irrespective of the size and nature of the subject, it is important for the audit team to have an overview of the entity to understand the "big picture." Forming audit conclusions or reporting weaknesses without this overview may result in unproductive audit work or misleading findings. A wide variety of procedures and techniques are used to gather the necessary information, including a review of the following:

- relevant legislative authorities, policies and directives;
- organizational arrangements, including the make-up of regional and district offices;
- the environment in which the entity operates;
- the environment in which staffing activities have taken place;
- key personnel and changes to key personnel;
- levels and types of staffing activity ;
- accountability arrangements, including the delegation of staffing;
- major control systems that have an impact on staffing and human resources management as a whole;
- the quality and reliability of major human resources data systems;
- major staffing activities, risks and issues that the entity is facing;

- leading indicators, Staffing Management and Accountability Framework, Appointment Delegation and Accountability Instrument, etc.;
- risk profiles of the entity maintained by AESB;
- information, deficiencies or known weaknesses relevant to the subject of the audit obtained from past audits and reviews, including PSC audits, internal audits and evaluations by the entity and audits by the Office of the Auditor General, as well as other reports;
- organizational performance reports, reports on plans and priorities, annual reports, strategic plans, environmental scans and human resources management plans;
- the entity's Internet site;
- management and accountability reports;
- major human resources–related systems and control procedures;
- risks that the entity is facing and their impact on audit issues;
- consultations with advisors and other organizations to identify relevant best practices and opportunities for improvement;
- previous PSC audits and studies, as well as audits and studies conducted by others; and
- staffing data and other information and trends compiled by the PSC and other organizations.

Engagement letter

At this stage, audit teams send a letter advising the entity's Deputy Head, Head of HR and CAE that a PSC audit will be performed in that entity and that audit planning is about to begin. This letter will ask the Deputy Head to designate a person to serve as the principal contact with the PSC throughout the audit and will serve as the formal beginning of audit work with the entity.

Launch meeting

This serves as the audit initiation meeting, to familiarize the entity's management with the audit. At this meeting, the audit team seeks management's views on the critical success factors for the staffing activity being audited, management's responsibility for the activity, sources of criteria, risks, management concerns and other audits or studies carried out in the area. Audit teams can request documents before or at this meeting.

Survey phase

This phase is also referred to as ‘client review,’ that is, entity information collected subsequent to the engagement letter. This includes interviews, data review and other consultations as well as formal requests for documentation, internal guidelines, policies, etc. The survey phase is pivotal, as it may indicate areas of potential risk, weaknesses or any opportunities for improvement. The key output of this phase is an audit survey report, which documents the research and sources of information collected.

Survey plan

The audit team proposes a matrix for the focus of the survey work, resources and efforts.

The proposed plan will address the following:

- Known areas of audit and/or business risk
- Efficient use of audit resources (budget, hours, travel)
- What methods of data collection will be employed and why they are the most effective:
    - Interviews and focus groups
        - Who will be interviewed
        - What type of survey questions will be asked, and why
        - Locations/branches/geographic areas
    - Document review
        - What documents will be obtained/requested
    - File walk-throughs
        - Rationale for, and number of, file walk-throughs
        - How these files will be selected
        - When and where files will be reviewed
- Relationship to the PSC’s mandate

Audit survey report

The auditors gather information in order to fine-tune initial decisions about scope, cost, timing and skills, and to propose audit objectives, areas for in-depth review, criteria and examination approach. In finalizing these decisions, the audit team designs an audit to reduce the risks of making erroneous observations, faulty conclusions or inappropriate recommendations. An important tool used in the audit survey report is risk assessment. Risk is defined as the probability that an event or action may have an adverse effect on the intended outcome.

For the PSC, it is the expression of the likelihood and impact of an event or action related to staffing that has the potential to be a threat to the integrity of the appointment process. Risks can also be threats that might have an impact on the achievement of an entity’s objectives. In a risk assessment, the audit team should ask questions such as the following:

- What can go wrong?
- What opportunities can be missed?
- What is the probability of it going wrong or being missed?
- What are the consequences?
- Can the risk be minimized or controlled?

Examination planning phase

Based on the approved audit survey report, the audit team develops the examination plan package, which is the key output of this phase. This provides the terms of reference in which AESB formally shares its criteria and approach with the entity.

In addition, the examination plan itself contains the audit programs, sampling plan (if required) and audit calendar and provides the framework within which audit results and entity performance impacts can be determined. Significant elements of this plan, such as the identification of the audit objective(s), audit scope, methodology (including audit criteria) and audit tests to be conducted, provide the structure and approach required to complete the audit project.

Audit terms of reference

The audit team prepares the terms of reference using the audit objectives, scope, criteria, approach and timelines from the approved audit survey report. The terms of reference allow the auditors and the entity’s management to have a clear understanding of what to expect from the audit.

The audit team presents the terms of reference to the entity's management and obtains their views, including their comments concerning the scope, objectives and criteria, preferably in writing. The entity's management does not approve the terms of reference.

Developing the examination plan

The key output of the examination planning phase is the examination plan. This document details how the audit evidence will be gathered during the audit examination phase to meet the objectives of the audit in the most cost-effective manner.

The examination plan provides the following:

1. a guide for conducting, communicating and co-ordinating the work of the examination phase;
2. a framework for assigning work and assessing and establishing budgets for the remainder of the audit;
3. a basis for supervising the work; and
4. a means of transferring knowledge to less experienced staff.

The examination plan should contain the following:

1. the audit objectives;
2. the audit scope, major considerations and rationale for the scoping decisions, reasons for any limitations on the scope and the way in which the audit addresses any risks identified in the audit selection phase;
3. the audit criteria and their sources;
4. a description of the audit approach and methodology (that is, the nature, extent and timing of evidence to be collected and analyzed, taking into account the identified risks and tests for reliance on controls), including opportunities to quantify results;
5. if required, a sampling plan should be attached, explaining the population, sample size, sampling methodology and conclusion that the audit team is expected to reach, given the sample;

6. identification of audit staff, including regional and functional staff, and any internal or external specialists required for their special knowledge;
7. an outline of the knowledge, skills and experience of the team members assigned to the audit;
8. the timing of the audit and milestones/control points; and
9. the estimated cost of the audit in terms of hours, contracts, travel and translation, including, where necessary, an assessment from the initial approved audit budget, which should be reflected in an audit calendar.

Before starting field work, the audit team should prepare audit programs that set out the detailed audit procedures for carrying out the examination. Well-designed audit programs are useful tools for ensuring a systematic and disciplined approach to examination and for documenting the audit work conducted by the audit team.

Audit Objectives

An audit should have clear objectives about which conclusions can be made.

Audit objectives are normally expressed in terms of what questions the audit is expected to answer about the performance of appointments and related activities. In general terms, the objectives of PSC audits are compatible with the PSC's strategic plan.

Audit objectives are to be carefully considered and clearly stated. As a general rule, there should be a limited number of clear objectives for an audit. They must be defined in a way that will allow the audit team to reach conclusions about each objective. As audit efforts will be directed toward answering the questions raised in the objectives, they should be defined as precisely as possible to avoid unnecessary and expensive audit work. Any changes to the audit objectives, as well as the major considerations and rationale for such changes, should be brought to the attention of the Vice-President of AESB, the RMC and the quality reviewer.

The audit work also provides valuable and necessary information to Parliament. Non-audit objectives, such as providing an overview of a process or subject area, for which a conclusion cannot be reached and is not expected should be separated from audit objectives.

Audit Scope

- **An audit should have a clear scope that focuses its the extent, timing and nature.**
- **An audit should select issues on the basis of their relevance to the PSC's mandate, significance and auditability.**

During the early planning stages, the appointment activity to be audited is often defined in broad terms. Very seldom is it practical or cost-effective to audit everything. Scoping the audit involves narrowing the audit to relatively few matters of significance pertaining to the audit objective, that can be audited with the resources available and that are critical to the achievement of the intended results of the activity being audited. There are three underlying principles in establishing the scope of the audit:

- relevance to the PSC's mandate;
- matters of significance; and
- auditability.

Relevance to the PSC's Mandate

Both the former Public Service Employment Act (PSEA) and the new PSEA give the Commission the authority to conduct audits on any matter within its jurisdiction. The mandate of the PSC and the interests of parliamentarians are key factors in assessing the relevance of matters to audit.

Matters of Significance

Identifying matters of significance for audit involves answering questions such as the following:

- Does the subject have an important impact on the appointment process?
- Is it an area of high risk?
- Is it material?
- Does the audit have the potential to improve the performance and accountability of the appointment process?
- Is it an issue of visibility or of current concern or interest to parliamentarians and Canadians?

One of the results of the scoping exercise is the identification of matters of potential significance or issues for in-depth audit. Typically, the matters most critical to the success of the staffing activity being audited, or those that present the greatest risks, are chosen for detailed audit. Careful attention by the auditor is needed to identify and focus the audit on the critical processes related to staffing.

Auditability

Auditability relates to the ability of the audit team to carry out the audit in accordance with professional standards and audit policies. A variety of situations may arise that cause the audit team to decide not to audit a particular area, even though it is relevant and significant. In reaching such a decision, the audit team should have concluded the following:

- the audit team does not have or cannot acquire the expertise;
- the area is undergoing significant and fundamental change; or
- suitable criteria are not available to assess performance.

Scope Statement

The scope statement should describe the staffing programs/functions of the entity's activities that are the subject of the audit, including the regional areas of the entity being audited as well as the time period covered by the audit. It should also indicate any issues and/or areas that have been excluded from the scope of the audit.

Audit Criteria

An audit should have suitable criteria that focus it and provide a basis for developing observations and conclusions.

Auditors need a means of measuring or judging the performance of the matters that are subject to audit. The standards used for this purpose are referred to as audit criteria.

Audit criteria are reasonable and attainable standards of performance and control against which compliance, the adequacy of systems and practices and the efficiency and cost-effectiveness of staffing activities can be evaluated and assessed. They are to be relevant, reliable, neutral, understandable and complete. The aggregate of the findings against criteria, along with professional judgment, allows the audit team to form a conclusion about each audit objective.

The sources of the criteria determine the amount of effort needed to assure their suitability. Sources of criteria include the following:

- the PSEA, other relevant acts and corresponding regulations;
- policies, standards and control frameworks developed by central agencies;
- entity reports on plans and priorities and performance reports;
- generally recognized good practices;
- policies and standards developed by the audited entity;
- criteria used in similar audits;
- standards and practices of other organizations carrying out similar activities; and
- prior PSC audits.

The audit team can generally develop criteria based on laws and/or regulations. In these circumstances, the auditor needs only to ensure that the criteria are related to the audit objective.

Primary sources of criteria for PSC audits are the controls, standards, measures, result commitments and targets adopted by the entity's management or imposed by Parliament or central agencies. Where the entity has adopted meaningful and specific measures for assessing its own performance, the auditor should carry out a review of those measures relevant to the audit to ensure that they are reasonable and complete. Where the entity's measures are found to be suitable, they can be adopted as the audit criteria.

The audit director general should do the following:

- discuss the audit objectives and the criteria to be used, as well as management's responsibilities for the subject area, with senior officials in the audited organization;
- obtain their written comments, if possible, on the suitability of the criteria and the audit team's understanding of management responsibility in the context of the audit approach; and
- consult with the Vice-President of AESB and the IAAC if there is disagreement with management about any of these items.

Under no circumstances is the audit to be carried out using criteria that would result in biased or misleading audit results.

If there is disagreement with management about criteria or management responsibilities, this is to be disclosed in the audit report with an explanation of why the audit team believes that management is responsible for the subject matter and why the team used the criteria despite management's objection.

As the audit progresses, additional information may result in certain criteria not being necessary to achieve the audit objectives. In these circumstances, further audit work related to the criteria is not necessary.

Audit Approach

Having defined the audit objective, scope and criteria, the audit team needs to design an audit approach that will produce the most meaningful audit result in the most cost-effective way. This should be documented, providing a description of the planned audit approach and methodology and the nature, extent and timing of evidence to be collected and analyzed, taking into account the identified risks and tests for reliance on controls, including the opportunity to quantify results.

The typical PSC audit will audit the entity control systems that affect staffing to determine whether the entity has adequate control systems to provide reasonable assurance that intended staffing results are achieved. The audit is designed to carry out analysis, review and testing of the key components of the control system to ensure that it is appropriately designed and implemented. If the control system is effective, this provides a strong indication that the results will be satisfactory.

Normally, only high-risk components of the system would be reviewed in depth. Controls are chosen on the basis of their significance to the achievement of key results. Where major deficiencies are identified, the auditor takes further steps to identify the cause of the problem and its effect or potential effect on intended results. This approach provides a solid foundation for making recommendations to improve the systems and practices and for identifying unnecessary controls.

In auditing the entity's control systems, the auditor may examine the actual transactions, events, records or documents. The basic methodology is to define the population to be tested, select a sample and then examine the transactions against the standard or criteria.

Sampling may be the primary approach for gathering evidence. Direct testing is particularly useful in cases where the auditor wants to assess the extent of some event or characteristic in the population or to quantify the effects of a deficiency. In cases where the auditor wishes to project the results of the test as a generalization of the whole population, formal sampling techniques can be used. If the auditor does not have a strong background in sampling techniques, expert advice can be sought.

After the audit tests, procedures and methodology have been designed, the audit team should proceed to the examination phase to gather appropriate and sufficient evidence to support the audit report.