



ALGA

Association of Local Government Auditors

Establishing a Performance Audit Function: Help for Local Government Leaders

ALGA Advocacy Committee

The committee works to promote the value of independent performance auditing throughout the local government community.

The committee provides professional resources and support to those in local government communities without audit functions, with new audit functions and with established audit functions.

The committee also provides support for local government communities that are considering diminishing the capacity of the audit function.

ALGA's Mission

ALGA is a professional organization committed to supporting and improving local government auditing through advocacy, collaboration, education, and training, while upholding and promoting the highest standards of professional ethics.

ALGA Member Services



449 Lewis Hargett Circle
Suite 290
Lexington, KY 40503



(859) 276-0686



www.algaonline.org



The Association of Local Government Auditors (ALGA) is providing this brief introduction to performance auditing to answer questions that local government leaders may ask about establishing an independent performance audit function.

Performance auditing strengthens public governance by enhancing the government's accountability to the public for stewardship of resources and achievement of the community's goals. Performance auditors issue rigorously researched and persuasive reports to recommend service delivery improvements, identify savings and revenue opportunities, and detect and deter fraud. An effective, independent performance audit function can increase a government's credibility with the public, oversight agencies, granting authorities and bond markets.

For more information about the value of independent performance auditing, ALGA's [Funding the Audit Function: Money Well Spent](#) is available at www.governmentauditors.org.

Frequently Asked Questions

1. Q: How can the elected leaders ensure that a performance audit function is effective?

A: *Local governments can enact legislation, code and procedures to ensure the audit function's organizational independence, that it follows professional auditing standards, has unrestricted access to the jurisdiction's employees and records, and has sufficient funding. (ALGA's [Model Legislation](#) and [Audit Committee Guidance](#) are available on our web site to provide examples of how to implement these steps). The governing body, usually through an audit committee, works with the auditor to help ensure stakeholder support and competent, objective, audit leadership and staff. (ALGA's [Guide to Hiring a Performance Auditor](#) is available on our web site)*

2. Q: Why is it important to enact legislation that provides independence?

A: *Auditors issue reports that fully disclose what they found in the program under audit, and you and the public must have confidence that those reports are objective, fair, and complete. Auditors may encounter pressures from management to avoid certain topics or to omit or change information. The legislation and actions of the elected governing body help ensure that the auditor can report freely.*

3. Q: Don't the auditors need to work with management?

A: *An effective audit director works hard to establish a respectful working relationship with management and staff. Auditors remain independent of operations but treat other employees with professionalism and respect.*

4. Q: How does legislation requiring adherence to professional auditing standards help an audit organization to be effective?

A: Professional auditing standards require auditors to have the requisite knowledge and skills to complete individual assignments. Auditors don't need to be subject experts in the area under review, but need to be able to provide an independent perspective and conduct work objectively. Important requirements in audit standards include the obligation to include management's views in all audit reports, and to undergo periodic peer reviews by independent reviewers.

5. Q: How can an internal office be independent?

A: Professional auditing standards provide guidance for officials in how to set up structural independence to avoid interference with the auditor's reporting. Standards also provide extensive guidance about how to maintain personal as well as structural independence in appearance and in fact. Properly set up and managed, an independent staff audit function is more independent than a consultant who contracts with management to perform a similar service.

Self-Assessment Survey

The following self-assessment survey can help you assess whether establishing a performance audit function would benefit your local government. Answer the following questions "Yes" or "No" based on your current knowledge of the organization. Be as independent and objective as possible in responding. Be aware that you may have a tendency to be overly optimistic in your response.

- 1. Does a mechanism exist within the organization that serves as a monitoring and oversight function over government performance?
- 2. Is the monitoring and oversight function organizationally independent of management?
- 3. Does the management staff of your organization consistently provide relevant, timely and useful information regarding government performance?
- 4. Are you comfortable with the reliability of analytical and performance related information provided?
- 5. In your government, when inefficiencies, poor performance, or substandard program results are identified, are problems addressed and resolved within a reasonable period of time?
- 6. Do you feel accurately informed regarding issues affecting your government?
- 7. Are you comfortable making a request for key management information regardless of political sensitivities or a desire to avoid "ruffling feathers"?
- 8. Is there a sense in the community that government is accountable and responsible?
- 9. If you could invest personal funds in your government operations in a manner similar to a public for-profit corporation, could you expect a reasonable return on your investment?
- 10. Are you proud of your government?

A "No" response to any one item can indicate reduced accountability and trust in government operations. Consider getting in touch with ALGA for guidance on establishing an independent performance audit function if you answered "No" to one or more questions. ALGA is a not-for-profit organization.

Additional Resources Available to Assist in Establishing a Performance Audit Function:

(Various ALGA publications and The Role of Auditing in Public Sector Governance)

2014-15 Advocacy Committee

Jay Poole, Chair, City Auditor, Chesapeake, VA
Paul Duggan, Director, Audit Services, Regional Municipality of York, ON
Michael Eglinski, City Auditor, Lawrence, KS
Leif Engstrom, Chief City Auditor, Albany, NY
Ann-Marie Hogan, City Auditor, Berkeley, CA
David Jones, City Auditor, Seattle, WA
Bob Melton, Inspector General, Tavares, FL
Jose Montes de Oca, Chief Auditor, Miami-Dade County Schools, FL

Amanda Noble, Deputy City Auditor, Atlanta, GA
Leon Pattman, City Auditor, Memphis, TN
Carolyn Smith, Internal Auditor, Columbus City Schools, OH
Colleen Waring, Lifetime Member, (ret. Deputy City Auditor, Austin, TX)
Craig Kinton, Advisor and Liaison to Board, City Auditor, Dallas, TX

More Information

To find additional resources from the Advocacy Committee, visit the committee page at www.algaonline.org.