

ALGA Model Syllabus

Performance Audit Class

Description:

Performance auditing is a tool that assesses management's effectiveness in understanding risks to achieving a public organization's purposes, and management's effectiveness and efficiency in implementing its programs and policies. Performance auditors serve as an agent for the public, to help ensure that organizations are accountable to citizens and are using public monies appropriately.

Learning Objectives:

1. Understand standards and principles of performance auditing in the public sector.
2. Learn tools, designs, and processes of performance auditing.
3. Understand how performance auditing supports values of public sector governance, including public accountability, managerial competence, policy effectiveness, citizen participation, and transparency.
4. Understand principles of effective written and oral communication.

Reading Materials:

(All available online or will be provided)¹

- Government Accountability Office – *Generally Accepted Government Auditing Standards* (Yellow Book)
- Government Accountability Office – *Standards for Internal Control in the Federal Government* (Green Book)
- Institute of Internal Auditors – *Practice Guide: Assessing Organizational Governance in the Public Sector*
- Davis, D. F. (January/February 1990). *Do you want a performance audit or a program evaluation?* *Public Administration Review*, 50:1, 35-41.
- Dittenhoffer, M. A. (March/April 1971). *Performance auditing simplified.* *Public Administration Review*, 191-195.

¹ See also the **Other Helpful Resources** section at the end of the syllabus for additional resources. These will not be required for the course, but will be useful for auditors who would like to develop a good, basic audit library.

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- Flesher, D.L. and M.T. Zarzeski. (2002). *The roots of operational (value-for-money) auditing in English-speaking nations*. Accounting and Business Research, 32:2, 93-104.
- Wheat, E.M. (September/October 1991). *The activist auditor*. Public Administration Review, 51:5, 385-392.
- Various federal, states, and local government performance audit reports as assigned.

Evaluation:

- Readings and in-class participation (X percent)
- Written assignments for class (X percent)
- Final project (X percent)

Topic I – Overview of Performance Auditing:

- **Readings:**
 - Dittenhoffer
 - Flesher and Zarzeski
 - Davis
- **Sub-Topics:**
 - Background
 - Purpose of performance auditing
 - Why it matters to:
 - Management
 - Citizens
 - Policymakers (Politicians)
 - Types of performance audits
 - IT Audits
 - Grants
 - Effectiveness/Efficiency
 - Policy
 - Prospective
 - Internal Control/Compliance
 - Compare and contrast performance audit with financial audit, attestation, agreed upon procedures, and program evaluation

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- What is the difference between internal auditor and an external auditor?
- International Perspectives (Flesher and Zareski)
 - INTOSAI

Topic II – Audit Evidence in Planning and Fieldwork:

- **Readings**
 - GAO Yellow Book (primarily Ch. 6)
 - Audit examples
- **Sub-Topics**
 - Standards of Evidence
 - Review of common methodologies
 - Focus Groups
 - Questionnaires
 - Content Analysis
 - Sampling
 - Observations
 - Quantitative Methods
 - How much evidence do you need?
 - Evaluating evidence using professional skepticism
 - Documenting evidence – Working Papers
 - Different methods
 - Reasonable auditor test
 - Looking forward to peer review
 - Considerations regarding evidence protection
 - Yellow book has reporting requirements that allows for confidential reporting
 - Some states and localities exempt working papers from disclosure through public information laws
 - Tension between transparency and potential improved effectiveness
 - Practical considerations for navigating your public information requirements

Topic III – Risk Assessment:

- **Sub-Topics**

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- What is risk?
- Risk models
 - COSO model
 - ISO 31000
 - Green Book
- Audit Risk
- Assessing risk in audit planning
- Political environment
 - Threats to risk assessment
 - Opportunities for risk assessment
- Risk assessment templates

Topic IV – Audit Planning:

- **Readings**
 - GAO Yellow Book (Ch. 6)
 - Audit examples
- **Sub-Topics**
 - Audit selection
 - Preliminary project planning
 - Using auditee’s business objectives to identify risks
 - Economy, Efficiency, Effectiveness, Equity
 - Compliance for Laws, Contracts, Guidelines
 - Safeguarding Assets
 - Using risks to define audit objectives
 - Defining the scope and methodologies of the audit
 - Setting the budget
 - Why set a budget
 - Tools for setting audit budgets
 - How flexible should a budget be?
 - Staffing considerations
 - Independence
 - Competence

Topic V— Audit fieldwork:

- **Readings**
 - Audit examples

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- **Sub-Topics**
 - Audit findings
 - Auditing internal controls/compliance
 - Auditing efficiency
 - Auditing timeliness
 - Auditing quality
 - Auditing program results
 - Auditing prospectively
 - Communicating with clients in fieldwork

Topic VI – Audit Communication:

- **Readings**
 - GAO Yellow Book (Ch. 7)
 - Audit examples
- **Sub-Topics**
 - Updates to Management
 - Entrance, Update, and Exit conferences
 - Techniques and problems
 - Audit reporting
 - Elements of a finding
 - Business Writing style
 - Elements of a report
 - Writing for Impact
 - Writing for Multiple Audiences
 - Internal reviewers
 - Management
 - Policymakers
 - Citizens
 - Audit report reviews and analysis
 - Bridge between external auditors and management

Topic VII – General Standards and Audit Overview

- **Readings**
 - GAO Yellow Book (Ch. 1-3)

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- Institute of Internal Auditors – *Practice Guide: Assessing Organizational Governance in the Public Sector*
- **Sub-Topics:**
 - Introduction to General Standards, including Ethics
 - Independence
 - Non-Audit Services
 - Competence
 - Professional Judgment
 - Professional Skepticism
 - Quality Control
 - Supervision
- Overview of the steps of an audit

Topic VIII – Panel Discussion:

- **Readings**
 - Audit report examples
- **Topics**
 - Discussion with selected panel on problems and approaches discussed during the class
 - Include, if possible, operational manager and/or policymaker who receives audits

Topic IX – Final Project:

- **Possible Projects (Choose one that applies to all class members)**
 - Group assessment of scoped process in a public organization that volunteers for assistance. (**Note:** Volunteer organizations and processes to be audited to be determined prior to class.)
 - Determine audit plan and methodologies
 - Conduct fieldwork
 - Oral report to management
 - Draft written report for management (<10 pages)
 - Conduct a risk assessment using information supplied by instructor
 - Develop risk assessment methodology and template
 - Develop a consensus Risk Assessment

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- Develop an audit plan to address risk and to cover all finding elements
- Conduct interview with manager who has been audited
 - Identify their view of value of performance auditing in general
 - Understand what they want to contribute to the audit
 - Understand their view of the role of auditors and managers
 - Related to risk
 - Related to recommendations
 - Understand what type of analysis is most useful to them
 - Understand what type of recommendations are most useful to them.
- Conduct interviews with policymakers familiar with performance auditing regarding their views of the value of performance auditing to policymakers

Topic X – Presentation of Final Projects and Conclusions:

- Sub-Topics
 - Presentations
 - Class discussion – *The Activist Auditor*

Other Helpful Resources

- *Assessing Internal Controls in Performance Audits*, Government Accountability Office
- *Code of Ethics*, Institute of Internal Auditors
- *Federal Information System Controls Audit Manual (FISCAM)*, February 2009 (<http://www.gao.gov/assets/80/77142.pdf>)
- *Honest, Competent Government: The Promise of Performance Auditing*, Mark Funkhouser
- *Performance Auditing: Contributing to Accountability in Democratic Government*, by Jeremy Lonsdale, Peter Wilkins, and Tom Ling
- *Performance Auditing: A Measurement Approach, 2nd Ed*, by Ronell B. Raaum and Stephen L. Morgan
- *The Politics of Internal Auditing*, Patricia Miller and Larry Rittenberg.
- *Sawyer's Guide for Internal Auditors, 6th Edition*