



Quick Reference Performance Audit Primer

What is a performance audit?

A legislative performance audit is an independent, objective, and reliable examination of whether government programs, activities, or organizations are performing in accordance with the principles of economy, efficiency, and effectiveness.

Economy is about getting the right inputs, such as goods, services, and human resources, at the lowest cost.

Efficiency is about getting the most from available resources, in terms of quantity, quality, and timing of outputs or outcomes.

Effectiveness is about meeting the objectives set and achieving the intended results.

Performance audits are also called “systems audits” or “value-for-money audits.”

Legislative performance audits in Canada are conducted in accordance with auditing and assurance standards of the Chartered Professional Accountants of Canada.

In a recent three-year period, legislative audit offices in Canada conducted and reported about 430 performance audits.

What are the core elements of a performance audit report?

There is no standardized format for an audit report. Rather, Auditors General choose a presentation and communication style that suits their jurisdiction and Office practices. That said, performance audit reports commonly include:

- Audit objective(s) and subobjectives (the key questions the audit will answer)
- A conclusion against the objective(s)
- Well-defined scope (programs, time period, geography)
- Criteria, against which performance is assessed, derived from authoritative sources
- Findings, both positive and negative, backed up with evidence
- Recommendations to entity management to correct identified deficiencies

What do performance audits assess?

Performance audits focus on the implementation of policy and programs and the delivery of public services. They typically look at the following areas and ask the following questions:

Systems and processes

- Are management systems and internal controls well designed and operating as designed?

Results

- Are intended results being achieved?
- Are entities monitoring and reporting on their own performance?

Compliance

- Is the program or entity operating in accordance with applicable laws, policies, and specified authorities?

Risk management

- Is the entity appropriately managing significant risks related to achieving program outcomes and safeguarding public funds?

Governance and oversight

- Have entities established effective governance practices and regimes?
- Are oversight bodies effectively discharging their responsibilities?

Performance audits do not assess the merits of policy, the adequacy of program resources, or the future state of policies and programs.

How do AGs choose audit topics?

There is great diversity in the subject matters and programs examined by legislative auditors across Canada. Legislative auditors in Canada use different approaches to choosing audit topics and setting long-term audit plans. In general, key considerations include:

- relevance to the Office's mandate and strategic goals
- the "3 Es" (economy, efficiency, and effectiveness)
- significance and risk
- auditability
- resources and team competence
- specific requests from legislators

Who makes sure problems identified by the auditor are fixed?

Legislative auditors make recommendations to entity management aimed at correcting the observed problem and preventing its reoccurrence. Well-designed recommendations are results-oriented, specific enough to allow for assessing progress, and practical, such that the entity can implement them in a reasonable time frame.

Many legislative audit offices monitor and report on the level of audit recommendations' implementation by entities. Such monitoring is often based on a self-assessment by the entities. Many offices also undertake and report "follow-up audits" to verify the level of implementation and correction of identified deficiencies.

Note, however, that entities are not accountable to the legislative auditor! They are accountable to the legislature through the Public Accounts Committee. Thus, PACs play a vital role by holding entities to account and helping improve delivery of public services.