

Emerging Strategies for Performance Auditing

Insights from City Auditors in
Major Cities in the U.S. and Canada

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(Source: IIA website)



Project Objectives

- To determine the percentage of time auditors within cities in the United States and Canada are allocating to performance audits;
- To identify potential barriers to performance auditing; and
- To identify best practices for performance auditing that mitigate the potential barriers.

Project Methodology

- Identified 15 potential barriers to performance auditing in the broader public sector;
- Surveyed audit leaders in 164 cities in the United States and 36 in Canada;
- Interviewed audit leaders in 24 cities in the U.S. and 12 in Canada that were experiencing the highest impact from the barriers; and
- Interviewed audit leaders in 26 cities in the U.S. and 10 in Canada that spent over 40% of their time conducting performance audits.

Appendix A

U.S. AND CANADIAN CITIES THAT PARTICIPATED IN THE SURVEY

Anchorage	AK	Kansas City	MO	Richmond	VA
Montgomery	AL	St. Louis	MO	Virginia Beach	VA
Tempe	AZ	Springfield	MO	Chesapeake	VA
Glendale	AZ	Charlotte	NC	Vancouver	VA
Mesa	AZ	Raleigh	NC	Seattle	WA
Phoenix	AZ	Albuquerque	NM	Milwaukee County	WI
Anaheim	CA	Henderson	NV	Calgary	AB
Irvine	CA	Las Vegas	NV	Edmonton	AB
San Diego	CA	Buffalo	NY	Burnaby	BC
San Francisco	CA	New York	NY	Richmond	BC
San Jose	CA	Rochester	NY	Surrey	BC
Los Angeles	CA	Cincinnati	OH	Vancouver	BC
Riverside	CA	Cleveland	OH	Winnipeg	MB
Denver	CO	Dayton	OH	Moncton	NB
Colorado Springs	CO	Oklahoma City	OK	Brampton	ON
Hartford	CT	Tulsa	OK	Burlington	ON
Tampa	FL	Portland	OR	Greater Sudbury	ON
Miami	FL	Pittsburgh	PA	Hamilton	ON
Cape Coral	FL	Philadelphia	PA	Kitchener	ON
Tallahassee	FL	Sioux Falls	SD	London	ON
Orlando	FL	Knoxville	TN	Mississauga	ON
St. Petersburg	FL	Clarksville	TN	Oakville	ON
Atlanta	GA	Memphis	TN	Oshawa	ON
Columbus	GA	Chattanooga	TN	Ottawa	ON
Honolulu	HI	Nashville	TN	Toronto	ON
Chicago	IL	Arlington	TX	Vaughan	ON
Aurora	IL	Austin	TX	Gatineau	QC
Fort Wayne	IN	Brownsville	TX	Laval	QC
Overland Park	KS	Garland	TX	Levis	QC
Wichita	KS	Laredo	TX	Longueuil	QC
Louisville	KY	Dallas	TX	Montreal	QC
New Orleans	LA	Grand Prairie	TX	Quebec City	QC
Baton Rouge	LA	Irving	TX	Saguenay	QC
Shreveport	LA	Corpus Christi	TX	Sherbrooke	QC
Boston	MA	El Paso	TX	Terrebonne	QC
Springfield	MA	San Antonio	TX	Trois-Rivières	QC
Grand Rapids	MI	Alexandria	VA	Saskatoon	SK
Detroit	MI	Hampton	VA		
Minneapolis	MN	Norfolk	VA		



Barriers to Audit (i.e. lack of)

Formal Education

Training Availability

Standards for Audit

Funding

Performance Reporting

Staff Competence

Training Affordability

State Legislation

Audit Charter

City Bylaws

Understanding of Audit

Access to Information

Governance Maturity

Guidance for Audit

Independence

Best Practices

- Establishing a mandate for performance auditing within the audit charter;
- Establishing a formal audit committee with terms of reference/charter;
- Building understanding and support for the audit activity and performance audit function;
- Supporting the establishment of mature/robust governance processes;
- Making performance audit reports readily available to the public;
- Establishing risk-based, multi-year audit plans;

Best Practices (Continued)

- Selecting audit objectives that address all relevant aspects of performance;
- Scoping audits broadly enough to support accountability for results;
- Following accepted auditing standards;
- Actively building competencies and capabilities in performance auditing;
- Supporting involvement of the audit activity in professional associations; and
- Demonstrating leadership in performance auditing.

TOP-PERFORMING CITY AUDIT FUNCTIONS FROM SURVEY RESPONDENTS

In addition to identifying best practices, the research team also wanted to acknowledge cities from the research project that stood out for implementing the most best practices. As noted earlier, 36 audit functions reported that they spent 40% or more of their time on performance auditing (26 in the U.S. and 10 in Canada). Twenty-three of these were selected as either best practice or high-performing audit functions, based on how many of the 12 best practices they were following at the end of 2013 (see exhibits 3.2 and 3.3). This was determined through the researchers' interviews with each of the 36 auditors. See below for the criteria used and the audit functions that were identified as meeting them.

High-Performing Criteria

- At least 40% of internal audit time was spent on performance auditing.
- Eight or nine of the 12 best practices were followed.

EXHIBIT 3.3. HIGH-PERFORMING AUDIT FUNCTIONS FOR MAJOR CITIES IN THE U.S. AND CANADA

Nashville, TN	Hartford, CT	San Jose, CA	Quebec City AG, PQ
Las Vegas, NV	San Diego, CA	Arlington, TX	Montreal AG, PQ
*New York, NY	Chattanooga, TN	Winnipeg, MB	*Ottawa AG, ON

*New York, NY, and Ottawa AG, ON, were both ranked as "best practice" functions at the end of 2012.

Best Practice Criteria

- At least 40% of internal audit time was spent on performance auditing.
- At least 10 of the 12 best practices were followed.
- Higher standards were met for some of the best practices, particularly “building relevant competencies,” “making reports available to the public,” “following accepted standards,” and “having a clear mandate for performance auditing.”

EXHIBIT 3.2. BEST PRACTICE AUDIT FUNCTIONS FOR MAJOR CITIES IN THE U.S. AND CANADA			
Chesapeake, VA	Honolulu, HI	Richmond, VA	Edmonton, AB
Virginia Beach, VA	Austin, TX	Tallahassee, FL	Toronto AG, ON
Portland, OR	Denver, CO	San Antonio, TX	

Best Practice Providers

UNITED STATES (10.7%)	CANADA (6.3%)
Chesapeake, VA	Edmonton, AB
Virginia Beach, VA	AG Toronto, ON
Portland, OR	
Honolulu, HI	
Austin, TX	
Denver, CO	
Richmond, VA	
Tallahassee, FL	
San Antonio, TX	