

# Getting the Most Out of Challenge

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## Purpose of the Challenge Committee

The Challenge Committee provides advice to the Auditor General and teams regarding in-progress performance audits and other non-attest projects across the Office that lead to a public report. Challenge provides advice to teams through discussion, acting as a sounding board for audit/project plans, examination work and reporting matters. **As the Committee is not a decision making body, decisions regarding the advice provided by Challenge rest with Engagement Leaders (EL) and, ultimately, the Auditor General.**

## When Do Teams Meet with Challenge?

For most audits and projects, one Challenge meeting will occur during each phase (planning, conducting and reporting). However, frequency and timing of meetings will be informed by the team's engagement risk assessment and discussion at the first Challenge meeting. These discussions will focus on the complexity of the audit/project, including the engagement risk, size of the audit/project and the anticipated interest of Members of the Public Accounts Committee and the public. **Teams should be prepared to discuss the number of Challenge meetings that should occur over the life of the audit/project, at the first Challenge meeting.** The proposed number of meetings may change if the complexity of the audit/project changes.

## How to Get the Most out of Challenge

- Challenge meetings are opportunities to test work against the collective scrutiny of the Committee and to receive feedback on issues that the team may not have already considered. Bring questions to the Committee for advice. But, keep in mind that the responsibility for what goes to the Auditor General rests with the EL.
- Complete documentation clearly, thoroughly and submit to the Secretary **3 full days** in advance of the meeting<sup>1</sup>. This provides Challenge members enough time to be fully prepared and maximizes the value added to the Auditor General and the team.
- Ensure the Engagement Quality Control Reviewer (EQCR) is apprised of relevant issues and has reviewed the file prior to the meeting (note: final EQCR approval of plan occurs after Challenge). **The EQCR should meet with the team prior to attending all Challenge meetings, to discuss the results of their review.**
- Teams and/or Challenge members can request that the Subject Matter Expert(s) attend meetings. This will be on an exception basis (e.g. if the topic area is highly technical or sensitive).
- Document the advice received from Challenge, as well as the team's response to action items in the Caseware file. Teams must also document if they disagree with Challenge's advice and the alternative actions taken. At the EL's discretion, the team should consider briefing the Auditor General on the matter. Please note that the Auditor General will always be provided with the minutes from each Challenge meeting.

## Documentation Requirements

Below are the recommended documents to provide to Challenge. However, the "right" submitted documents depend on the complexity of the audit/project as well as previous discussions with Challenge. **The final decision regarding the documents to submit to Challenge rests with the EL.**

It may be helpful for teams to consider how they can get the most of the Challenge when submitting documents. The goal of the meetings is for the team's documents and the Office's end products to be improved. Challenge is successful when teams and members feel value was gained from the meeting.

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<sup>1</sup> For example, the document submission deadline for a Friday Challenge meeting is end of day Monday.

## Planning Challenge Meeting (for all audits/projects)

1. *Audit Logic Matrix (ALM)*  
Should demonstrate why and how the team chose the audit approach. See template for more information.
2. *Engagement Risk Assessment*  
Should demonstrate the team's plan for managing engagement risks. Teams should be prepared to discuss the number of Challenge meetings that should occur over the life of the audit. See template for more information.
3. *Summary of Staff Work Schedule and Budget*  
Should provide an **estimate** of the timeline milestones, overall budget and overall hours of each team member. Teams should **not** submit the detailed budget and timeline. Information should demonstrate that the estimated budget and timeline are appropriate given the complexity of the audit. Teams should also highlight any project management risks that are unique to the audit (e.g. time-critical report deadline, staff leave, etc.).

Teams should meet with the Auditor General prior to attending their first Challenge meeting. The purpose of this meeting is to discuss the team's planned audit approach with the Auditor General, as part of the overall iterative process of determining the audit's scope, objective and criteria. Teams should schedule this meeting when the team has clarity around the audit scope, objectives and criteria.

## Midpoint Challenge Meeting (for most audits/projects)

1. *Briefing note – 4 page max*  
Should discuss key challenges, provide an overview of budget/timeline status, whether outstanding procedures are required, preliminary findings and what the preliminary findings may mean (why users of the report should care). Please note that normally the briefing note is expected to be up to a maximum of 4 pages. See template for more information.
2. *ALM (approved – for reference)*

## Reporting Matters Challenge Meeting (for all audits/projects)

1. *Significant Results Document*  
Should show the significant conclusions and observations and how the team knows it has chosen the appropriate conclusions and observations to report and not to report publically. It should also demonstrate the team has identified appropriate preliminary recommendations. See template for more information.
2. *Report Outline*  
Given what the team found, how will the team package the information? **It is recommended that teams work with communications to draft the report outline.** Please note that normally the report outline is expected to be up to a maximum of 4 pages. See practice guidance for more information.
3. *Reporting Strategy*  
Should include main messages, the plan for promoting positive change after the report is released and other reporting considerations. See practice guidance for more information.

## Internal Draft Challenge Meeting (if required)

1. *Report Outline*  
The Report Outline that provided the framework for drafting the report. Teams usually work with Communications to develop the Report Outline.
2. *Internal Draft*  
See the performance audit manual for key components of performance audit reports.

## Example Planning Challenge Questions

<b>1. Should this be an assurance (audit/review) or non-assurance engagement?</b>
If it is a non-assurance engagement, what will the final product look like? What impact is anticipated and how will this be achieved? Has enough analysis been completed to show that there is a gap of information that needs to be filled?
<b>2. How did the team conclude that the proposed focus (effectiveness, efficiency, etc.) is the best use of resources?</b>
Is the proposed approach appropriate in the circumstances?
<b>3. Can management of the program/subject matter demonstrate they are being effective by achieving the program outcomes that were intended, within budget?</b>
If not, should we be telling management through this audit how to be more effective, or should we simply be highlighting the situation? Is the proposed audit approach something that management should be doing rather than our Office?
<b>4. Is it timely to be auditing this topic now?</b>
Is this topic of current interest to the Legislature? Are there clear risks threatening the entity or program now? Could the timing of this audit contribute to important change? Does the report need to be out by a specific date?
<b>5. Is the audit likely to have an impact?</b>
Does the audit have the potential to produce practical recommendations and contribute to improving the entity's management practices? How will it have impact? Is there a way to get the impact in a more efficient way?
<b>6. Has a coherent and relevant set of audit questions (a.k.a. sub criteria) been developed?</b>
Are the audit objective(s) relevant and are the criteria logically connected? Can you conclude on the criteria based on the audit questions? What will the objectives look like if they are met/not met?
<b>7. Is the methodology proposed robust, practical and efficient?</b>
Has a clear methodology been established for addressing each audit criterion? Will that methodology produce sufficient, relevant and reliable evidence, ideally combining quantitative and qualitative techniques?
<b>8. Are the necessary skills and expertise available on the team?</b>
Is there sufficient experience and technical knowledge amongst the team to devise an efficient and effective audit strategy, given the complexity of the topic area? Has the use and cost of a subject matter expert been considered?
<b>9. Is there a firm timetable for delivery and is it realistic?</b>
Have realistic key milestones been established, such as: the start and finish of audit work; production of preliminary observations; review and response of preliminary observations by the auditee; production of the engagement leader draft (ELX); and report publication?
<b>10. Has the auditee been informed of the audit?</b>
Have the audit objectives, criteria and proposed methodology been discussed with the auditee? What was the auditee's response? Does the auditee accept the criteria?
<b>11. Can the risks associated with delivering the audit report on time be managed?</b>
Has a risk analysis been performed and a risk management approach established, particularly where new audit methods are being tried out? Are there many stakeholders to be consulted? Is the subject matter inherently controversial? Is the timetable notably tight?
<b>12. Is the topic auditable?</b>
Will there be enough evidence to audit the topic?

## Example Midpoint Challenge Questions

<b>1. Is the project on track to complete the work on-time and on-budget?</b>
Why or why not? Is the variance explainable?
<b>2. Does the initial audit plan still fit given what the team now understands?</b>
Is the proposed approach still appropriate? If not, what changes are needed and how will the team ensure that efficiency is gained?
<b>3. Does the team have preliminary thoughts regarding likely conclusions on the criteria?</b>
What are the likely main messages?
<b>4. Are all outstanding procedures still required?</b>
Is there a way to streamline the outstanding work required?
<b>5. Has the team started to consider possible recommendations?</b>
Given the preliminary findings, what is the team considering in terms of potential recommendations?
<b>6. Does the team have preliminary thoughts regarding the report?</b>
Is there anything controversial that the Office should be aware of/reporting risks? Have there been any client relations issues? Are there any challenges that may make it difficult to consolidate the information into the report format? What are the positives? The negatives? How will the main messages likely be framed?
<b>7. When is the team planning to discuss the report with Communications?</b>
Teams should consider working with communications to discuss the main messages and develop the report outline before attending the Reporting Matters Challenge meeting.

## Example Reporting Matters Challenge Questions

<b>1. Is there sufficient, relevant and reliable evidence to provide sound answers to the audit questions?</b>
Have the sources and types of evidence been matched against the audit questions to ensure all evidence is corroborated? Has a formal review of the evidence been conducted to determine how convincing the evidence is for each question? Are some of the "partially" met findings really "met with reservations" or not met?
<b>2. Has the evidence been fully analysed and interpreted?</b>
Has the audit team formally assessed the results from quantitative and qualitative data analysis, and discussed and evaluated evidence amongst themselves and the subject matter expert(s)? (A whole-team approach can often be most effective). Are all audit procedures now complete?
<b>3. Have the main messages been identified and are they supported by the evidence?</b>
Has the EL considered the quantum of evidence to determine where the strength of the evidence lies for main messages, and whether further analysis might be necessary? (Producing a logic map setting out the audit questions and findings can be useful).
<b>4. Do the findings corroborate those of other parties?</b>
Has the EL reviewed the extent to which the audit findings are consistent with those of other relevant groups (for example, internal audit or other evaluations) or, where the team's findings diverged, ensured that they are supported by the audit work performed and the corroborative evidence gathered?
<b>5. Have the findings been cleared with the auditee?</b>

Has the EL ensured that there has been formal agreement regarding the facts and findings of the audit, and the auditees' responses thereto? (By discussing emerging audit findings with the auditee throughout the course of audit, the later formal procedures should be more straightforward).
<b>6. Are the observations supported by evidence?</b>
Does a trail exist, linking the findings to both the evidence collected and the statements of preliminary findings? Observations should be balanced rather than simply concentrating on negative findings.
<b>7. Do the conclusions answer the questions set and flow logically from the observations?</b>
Conclusions should set out clear answers to the audit questions, rather than simply representing a summary of the findings. They should be clearly and explicitly stated. In particular, the conclusions must be supported by the observations.
<b>8. Are the recommendations evidence-based and clear, and will they add value?</b>
Have the subject matter experts reviewed the recommendations? Do they agree that they are useful, realistic and clear? Is it clear who is responsible for implementing the recommendations? In the context of the 'no surprises' approach and to help encourage beneficial change, have the proposed recommendations been discussed with the auditee? The recommendations should flow from the conclusions, address the serious deficiencies identified in the report, and be capable of being implemented in a cost-effective manner.
<b>9. Are there any risks to the Office regarding the main messages?</b>
How might the public, media or Members of Legislative Assembly misunderstand the main messages? Has the team considered how technical, complex findings will be written in a fashion that is understandable?
<b>10. Why will the public and Members of the Legislative Assembly care about this piece of work?</b>
<b>11. What consideration has been given to the other communications (presentations, etc.) that will support positive change after the report as been released?</b>
<b>12. Have significant findings outside of the audit been addressed?</b>
<b>13. Does the proposed structure (as outlined in the Report Outline) make sense?</b>
<b>14. Can the team build on previous reports published or set the stage for upcoming reports?</b>