

Auditor Roles in Public Sector Performance Auditing and Measurement

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MAMI AF in Overland Park, Kansas

December 4, 2015



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Learning Objectives

This presentation will help you:

- Recognize the benefits of using specific auditor roles and practices to improve government performance measurement and management
- Discern how changing roles and practices over time can add more value as performance management in your entity evolves
- Find information, tools, assistance, and training to improve your capabilities in using these roles and practices



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Auditor Roles in Government Performance Measurement Project

- Project Mission: Advance how auditors contribute to strengthening government performance and accountability by stimulating greater auditor involvement in improving how public performance is measured and managed
- Based on practice-based research published in: *Auditor Roles in Government Performance Measurement: A Guide to Exemplary Practices at the Local, State, and Provincial Levels* by Paul Epstein, Stuart Grifel, & Stephen Morgan (IIA Research Foundation, 2004)

Download this book free from: www.AuditorRoles.org



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Users & Uses of Performance Information

Users

- Internal Stakeholders: Management & employees
- External Stakeholders, e.g.: Non-executive elected officials, appointed governing board members, citizens, media, contractors, grantees, private & nonprofit organizations, bond rating agencies
- Auditors

Uses

- For Decisions
- For Accountability
- For Performance Improvement



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Why Should Internal Stakeholders Care?

Management can:

- Use performance audits to improve service delivery and enhance program outcomes
- Use audits and assistance to strengthen performance management systems and performance based decision making



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Why Should External Stakeholders Care?

Elected officials, board members, citizens, and others can:

- Be more confident in the performance information they are provided
- Better understand the impact of decisions on performance
- Include performance as a factor in decision making and accountability
- Achieve more cost effective delivery of government services



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Why Should Auditors Care?

Auditors can:

- Demonstrate “value added” by producing findings with greater impact
- Lead the way to lasting, systemic change
- Be perceived as “positive” by providing assistance (consulting, advice, education)
- Concurrently enhance their organizational impact and individual career development



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Auditor Roles in Performance Measurement Project Services Available:

- **Website:** tools, examples, articles, case histories, & more
- **Training courses:** To enroll in virtual & public seminars or arrange an onsite course, visit theiia.org/Training or contact egappmorgan@yahoo.com
- **Advocacy**
 - Presentations at conferences and meetings
 - **Advisory & Assistance Service for Audit Shops** to support auditors' improving government performance measurement and management.

For Advisory Service for Your Audit Shop: Contact Paul Epstein: paul@RTMteam.net or 212-349-1719 or go to AuditorRoles.org and click on “Contact Us”



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Auditor Roles in Performance Measurement
Advancing Government Performance

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Search site Go

Professional Context | Exemplary Practices | Auditor Toolkit | Training | Case Histories | Publications & Links | Contact Us

To Add Value to Government Performance

LOW COST TRAINING FOR GOVERNMENT AUDITORS

FREE COURSE

- Free Recorded Webinar for Self-study CPEs

FEATURED AUDIT TOOLS

- Data Integrity Audit Template (DOC)
- Business Planning Audit Criteria (DOC)
- Performance Information Audit Criteria (DOC)
- Performance Measure Certification Packet (PDF)
- More Downloadable Auditor Tools

GUIDE TO AUDITOR ROLES
Free Download

Our Mission
 Stimulate greater auditor involvement in improving how public performance is measured and managed. [More about this project](#)

[Articles on Value-added Audit Practices](#)

ADVOCACY COMMITTEE

NEWS ON AUDITORS' PRACTICES THAT ADD VALUE

New Article! Criteria for Relevance and Reliability of Performance Information Revised
 One of the most valuable contributions auditors can make to government performance management is to assess the relevance and reliability of performance measures and data. Sample criteria for assessing relevance and reliability have been revised to be clearer, more distinct, and easier for auditors to use. [More...](#)

PROJECT PARTNERS

Tallahassee Auditor Aids City Performance Measurement & Reporting
 Since 2007, the Office of the City Auditor of Tallahassee, Florida, has helped spur important progress, providing an early form of public reporting and assisting city departments in developing "vital signs" performance measures requested by the city's elected body, the City Commission. [More...](#)

A New Service Model:

Five Roles Auditors Play in Government Performance Measurement

Two Audit Roles

Three Assistance Roles

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Each role has several specific auditor practices:

Role 1. Audit Performance or PM Systems

Practices:

- **Practice 1a. Audit Performance:** Measure or assess performance during an audit or other study based on authoritative auditing standards.
- **Practice 1b. Audit Performance Management Systems:** Audit or assess existing performance management systems or practices.



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Practice 1a: Audit Performance

Basic Steps for a Measurement-based Performance Audit:

- Map the program's inputs, processes, outputs, and outcomes
- Use existing performance measures *OR* develop and implement "ad hoc" performance measurement system
- Using performance expectations as "criteria" and measures as "condition," analyze program performance
- Identify causes of variances and develop audit recommendations

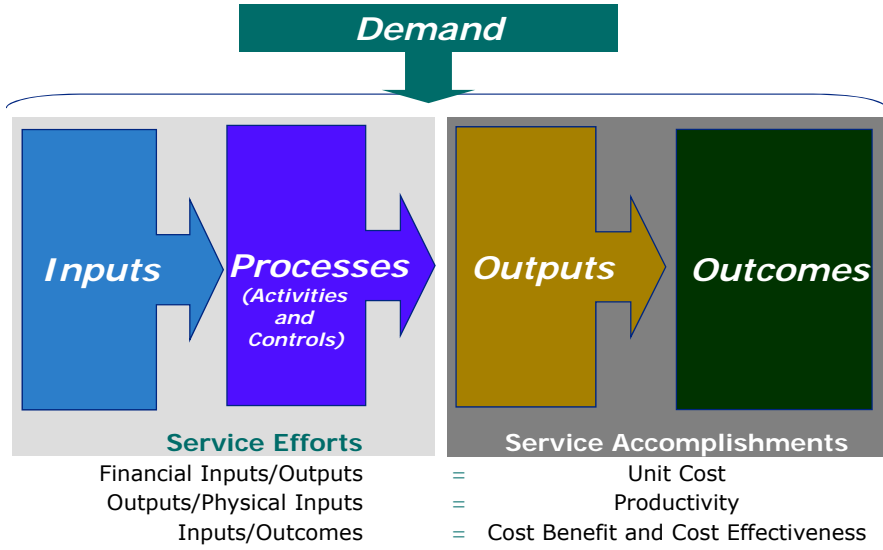


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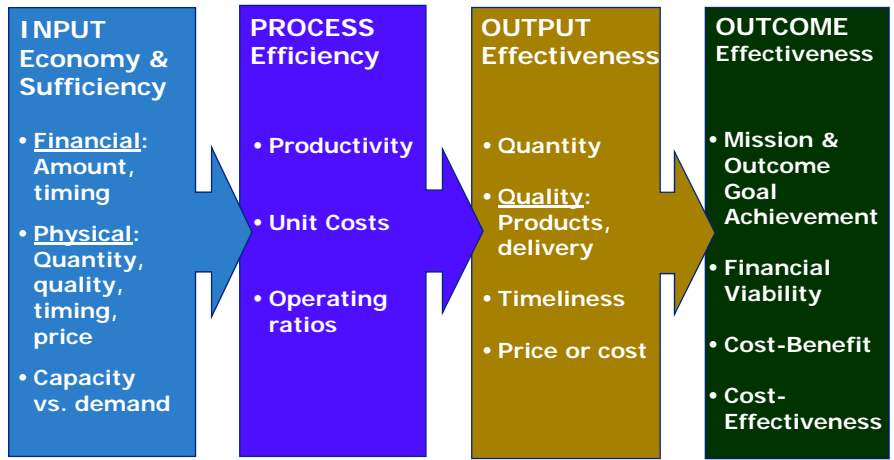
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Model Useful for a Measurement-based Performance Audit
Service Delivery System Cause-Effect Assumptions



Government Performance Expectations
Criteria for Measurement-based Performance Audits

MISSION PERFORMANCE GOALS



Role 1, Practice 1a Performance Audits from the City of Austin

- Police staffing levels and crime rates (cost/benefit)
- Citywide employee ethics and Citywide safety audits (outcomes--injuries)
- Convention Center “prospective” audit (revenue projections)
- Revenue audits (collection rate effectiveness)

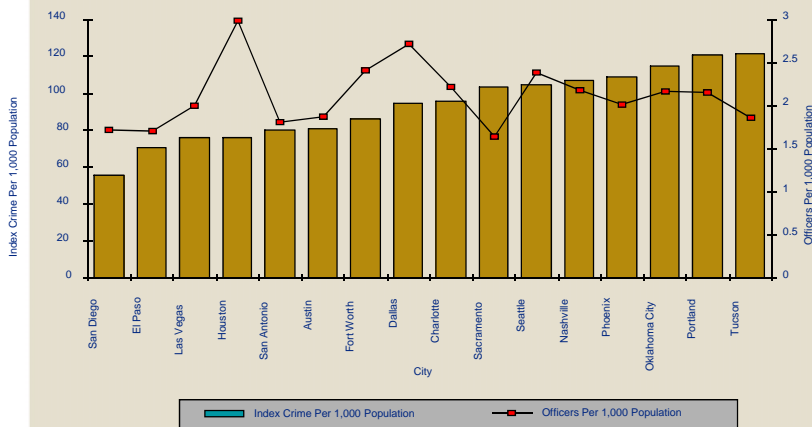


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Measurement Based Performance Auditing (Police Inputs & Mission)



Index Crime and Number of Officers in Selected Cities



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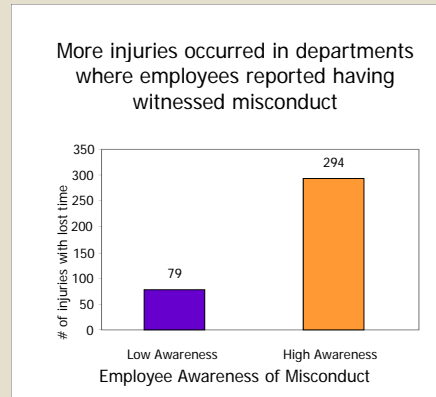
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Ethics Audit: Workplace Safety

- More workers were injured in departments that experienced problems with misconduct and lower levels of ethical leadership.
- Or lacked best practice safety programs.



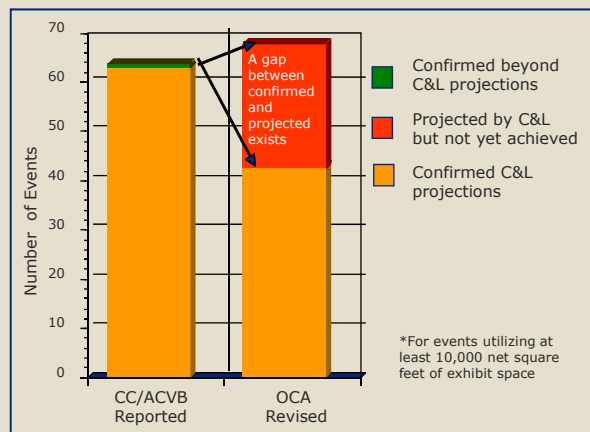
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Prospective Analysis: Financial Viability

Convention Center
Confirmed Bookings
Fiscal Years Combined.



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High Impact Outcomes Can Be Revenue Enhancement

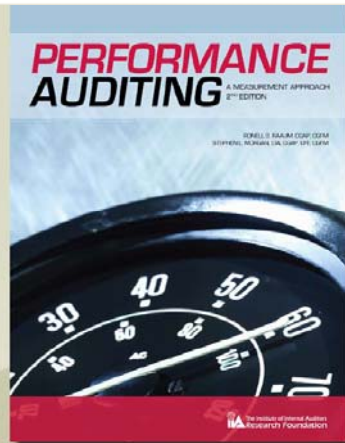
- Sales Tax
- Property Tax
- User and Entrance Fees
- Franchise Fees
- Other special taxes or fees such as hotel bed, gambling, and toll road



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Available at:
www.theiia.org/bookstore

NEW! PERFORMANCE AUDITING: A MEASUREMENT APPROACH 2ND EDITION

- Performance Auditing redefined!
- Provides guidance for conducting performance auditing in accordance with the Government Auditing Standards.
- Perfect for use in training performance auditors and as a guide for auditing practice.
- Published by The Institute of Internal Auditors Research Foundation (IIARF).



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Question 1

What has been your performance auditing experience?

- a) None
- b) Have only done control-based performance audits
- c) Have only done measurement-based performance audits
- d) Have done both types of performance audits

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Practice 1b: Audit Performance Management Systems

- Determine if existing performance accountability or measurement systems:
 - Are adequate
 - Are appropriately linked to form a “comprehensive performance management system”
- Compare to models, guidelines, requirements, or other criteria
- Recommend system improvements

Examples at www.AuditorRoles.org



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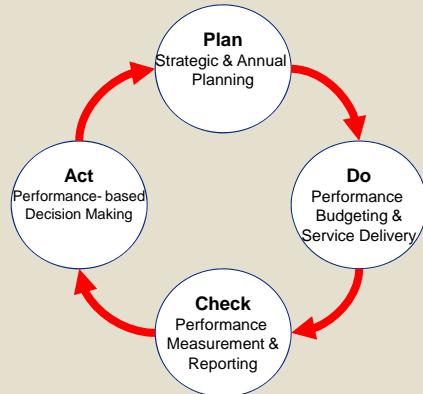
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Models to aid Practice 1b: Audit performance management systems

“Managing for Results” Criteria for Performance Management Systems Audits

- Choose among many
- Austin City Auditors Used the **Government Performance Accountability System** as criteria
- See example at www.AuditorRoles.org



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Practice 1b: Audit Performance Management Systems

To learn more:

- Take the course “**Auditing Performance Management Systems**”
 - Visit www.theiia.org/Training
- See examples at www.AuditorRoles.org



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Role 2. Assess Performance Information

Practices:

- **Practice 2a. Test Relevance or Reliability:** Test or certify performance measurement relevance, reliability, or both.
- **Practice 2b. Assure Performance Reports:** Audit attest to, assure, or certify external performance reports.
- **Practice 2c: Support External Review:** Support external review processes to assess and improve performance information or reporting, or the performance basis for planning, budgeting, or other decision making.



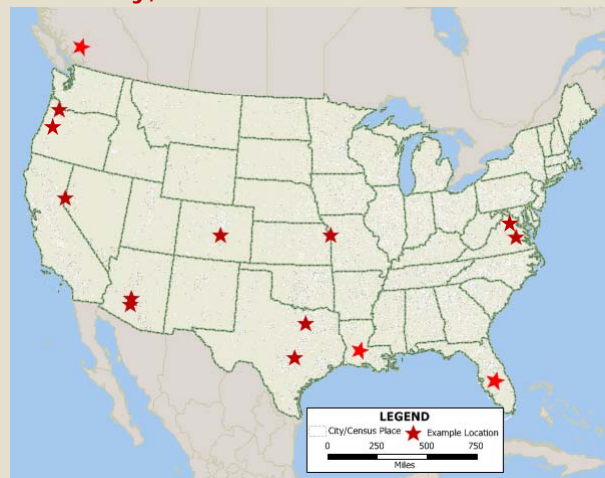
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Practice 2a: Test Relevance or Reliability

Test or certify performance measurement relevance, reliability, or both



See examples from these jurisdictions at www.AuditorRoles.org



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Assessing the Relevance & Reliability of Performance Measures

Recommended Audit Criteria

Relevance

- Aligned
- Complete
- Useful

Reliability

- Accurate
- Valid
- Consistent



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Role 2: Assess Performance Information

Tools for Practice 2a. Test Relevance or Reliability

- Austin City Auditor: [Guidance on Testing Data Reliability](#) (PDF)
- Austin City Auditor: [Overview of Testing Data Reliability](#) (PDF)
- Austin, Texas, Corporate Internal Audit: [List of Certification Audit Steps](#) (DOC)
- Austin, Texas, Corporate Internal Audit: [Certification Audit Program](#) (DOC)
- Austin, Texas, Corporate Internal Audit: [Department Measures Self-assessment Steps](#) (DOC)
- British Columbia Auditor General: [Assuring Relevance of Measures in Performance Reports: Methodology Discussion Paper \(2005\)](#) (DOC)
- Colorado Springs, Colorado, City Auditor: [Audit Program for Performance Data Verification](#) (DOC)
- Colorado Springs, Colorado, City Auditor: [Performance Measures Attribute Testing](#) (DOC)
- Colorado Springs, Colorado, City Auditor: [Performance Measure Data Collection Form](#) (DOC)
- Maricopa County, Arizona, Internal Audit: [Performance Measurement Certification Program Information Package](#) (PDF)
- Prince William County, Virginia, Internal Audit: [What is a Performance Measures Audit?](#) (DOC)
- Texas State Auditor: [The Ten Steps of the Texas State Auditor's Performance Measures Certification Process](#) (DOC)

Tools for Practice 2b. Assure Performance Reports

- Alberta Auditor General: [The OAG's checking procedures for 2006](#) (DOC)
- British Columbia Auditor General: [Building Better Reports: Our Methodology for Assessing the Annual Service Plan Reports of Government](#) (PDF)
- British Columbia Auditor General: [Reporting Principles and An Assurance Program for BC](#) (PDF)
- British Columbia Auditor General: [Threshold Approach – A New Approach for Assessing and Auditing Public Performance Reports \(2006 Working Draft\)](#) (PDF)

Costing for
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Many Tools Available to Aid Practice 2a: Test relevance or reliability

Detailed steps, audit programs, & criteria are in:

- The “Auditor Toolkit” at www.AuditorRoles.org
- The course “Assessing the Relevance and Reliability of Performance Information”
 - Visit www.theiia.org/Training



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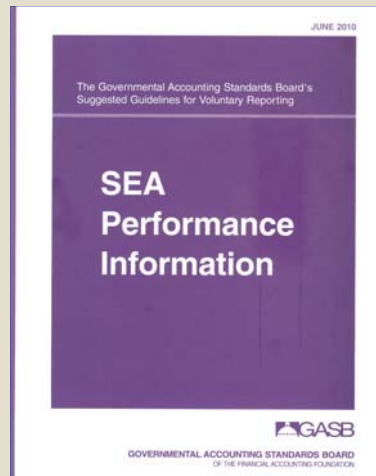
Practice 2b: Assure Performance Reports

Tools Available

GASB: U.S. State &
Local Government
Reporting Guidelines

U.S. Federal GPRA
Criteria:

- OMB
- AGA (CEAR)
- Mercatus Center (George Mason University)



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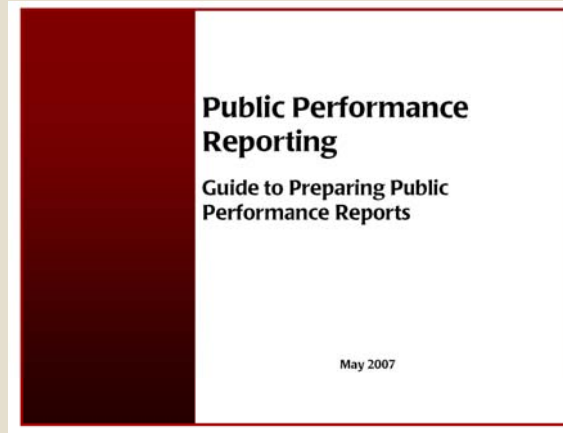
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Performance Reporting Criteria: Canada

Based on CICA-
PSAB "SORP-2"

*Statement of
Recommended
Practices on
Public
Performance
Reporting, 2006*



Also Federal Guidance from the Treasury Board Secretariat



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Tools Available to Aid Practice 2b: Assure performance reports

- Criteria summaries with links & other guidance in the "**Auditor Toolkit**" at www.AuditorRoles.org
- For federal guidance visit the [Office of Management and Budget](#) or the [United States Government Accountability Office](#)



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Practice 2c: Support External Review

Support external processes to assess and improve performance information or reporting, or the performance basis for decision making

- AGA's Certificate of Excellence in Accountability Reporting (CEAR) Program (U.S. Federal)
- AGA's Service Efforts and Accomplishments Reporting (SEA) Program, including Certificate of Achievement awards (U.S. State & Local)
- National Center for Civic Innovation's (NCCI) Performance Reporting "Trailblazer" grants (U.S. and Canada, local, state, & provincial)



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Question 2

How will a performance audit be different if the performance management system and information are inadequate?

- a) The audit may take longer to complete
- b) Auditors may have to create performance measures and collect original data
- c) Causes and recommendations may be less in depth
- d) All of the above

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Role 3. Define or Measure Performance (outside the traditional audit process)

Practices:

- **Practice 3a. Help Choose Measures or Targets:**
Provide advice on determining performance measures or performance expectations
 - Research, focus groups, procedures testing to help management determine useful, practical measures
 - Special studies to identify measures
- **Practice 3b. Collect Data:** Collect performance measurement data
 - Mostly multi-service citizen or customer surveys or internal customer surveys

Examples at www.AuditorRoles.org



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Role 4. Encourage or Assist Management

Practices:

- **Practice 4a. Encourage Management:**
Encourage management to develop and implement performance management systems
- **Practice 4b. Assist Management:** Assist management in designing, improving, or maintaining performance management systems, or build the capacity of management to do so

Examples at www.AuditorRoles.org



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Practice 4a. Encourage Management

- Encourage management to develop and implement performance management systems
 - Advocate by researching and identifying “best practices” and benefits of performance management.
 - Point out needs or opportunities to improve current systems and practices.
 - Provide guidance on initial performance management system design.

Examples at www.AuditorRoles.org



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Practice 4b. Assist Management

- Assist management in designing or improving performance management systems, or build the capacity of management to do so
 - Provide advisory assistance, consulting, training, or “hands on” assistance at any or all stages of the performance management initiative
 - Serve on internal teams to design and implement performance management systems

When auditors & managers cooperate, good things happen

Examples at www.AuditorRoles.org



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Role 5. Assist Elected Officials or Citizens

Practices:

- **Practice 5a. External Advocacy:** Advocate to, or assist, external stakeholders, concerning the development, implementation, or improvement of government performance management systems.
Has led to PM legislation & system improvements.
- **Practice 5b. Report Performance:** Produce and issue external periodic performance reports.
May be controversial, but if no one else is doing it, some auditors feel they should.

(continued)



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Role 5. Assist Elected Officials or Citizens

Practices:

- **Practice 5c. Assist External Decision Making:** Assist external stakeholders (e.g., elected officials, citizens, bond rating agencies, media) in using performance information to make decisions
- **Practice 5d. Engage Citizens:** Engage citizens in determining performance goals, objectives, or measures
- **Practice 5e. Assess Citizen Engagement:** Assess or improve citizen engagement related to performance management

Examples at www.AuditorRoles.org



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Local, State, & Provincial Performance Accountability Mandates



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Question 3

Which group is not considered an external stakeholder?

- a) Bond rating agencies
- b) Non-executive elected officials
- c) Management
- d) Media

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Benefits of the Five Roles

- **Benefits management:** Provide assurance & improve service delivery
- **Benefits elected officials:**
 - Show how programs make a difference & can be improved
 - Increase confidence in using performance information
- **Benefits citizens:**
 - Better understand accomplishments of their government
 - Can use performance information for accountability
- **Benefits auditors:**
 - Have better data & systems to use in future audits
 - Increased recognition for role in improving performance & accountability



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To Learn More About ALL 5 Auditor Roles & 14 Practices

- Take the course “**A New Service Model: Auditor Roles in Government Performance Measurement**”
 - Visit www.theiia.org/Training
- See examples, articles, tools, and more at www.AuditorRoles.org



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Key Lessons from Practice-based Research

- Auditors can add credibility to performance information
- Auditors can be effective advocates for improvement of performance management
- Auditors can play multiple roles

See www.AuditorRoles.org for case histories demonstrating added value with changing roles



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Auditor Practices	PM System Maturity	Auditor Value Added
1a: Audit Performance: Measure performance during an audit, one program audit at a time	Performance measures non-existent, or not relevant or reliable	Performance improvement recommendations, but very labor intensive
1b: Audit PM Systems 2a: Test Relevance, Reliability	<ul style="list-style-type: none"> • Quality of measures, data, & systems mixed • Quality gradually improves in response to audits 	<ul style="list-style-type: none"> • Recommend improvements in measures & systems; starts out labor intensive • Less auditor effort needed as system quality improves

Auditor Practices	PM System Maturity	Auditor Value Added
1a: Audit Performance: Measure performance during an audit, one program audit at a time	Performance measures non-existent, or not relevant or reliable	Performance improvement recommendations, but very labor intensive
1b: Audit PM Systems 2a: Test Relevance, Reliability	<ul style="list-style-type: none"> • Quality of measures, data, & systems mixed • Quality gradually improves in response to audits 	<ul style="list-style-type: none"> • Recommend improvements in measures & systems; starts out labor intensive • Less auditor effort needed as system quality improves
4b: Assist Management: <ul style="list-style-type: none"> • Help management build or improve PM systems • Build PM capacity of internal users 	<ul style="list-style-type: none"> • More rapid advancement of systems, measures, & data • Greater use of data by management for decisions & improvement 	Leverage auditor value through management actions & consulting relationships
5c: Assist External Decision-making 1a-Audit Performance: <ul style="list-style-type: none"> • Extra Value Added: More audits or more in-depth audits 	<ul style="list-style-type: none"> • Systems, measures, & data quality rarely an issue • Greater use of data by citizens & elected officials 	<ul style="list-style-type: none"> • Help external stakeholders improve decisions • Performance audits more efficient, greater impact thru <ul style="list-style-type: none"> • Operations improvement • Policy improvement

Question 4

What's the best way to decide which auditor practice to use next to spur improvement of a government's performance management?

- a) Develop performance measures & compare them to measures agencies use
- b) Assess the reliability of performance data
- c) Assess the maturity of the performance management system
- d) Use the practice that worked best in the past

Summary Thoughts: All Roles

- Auditors have significant roles to play related to performance measurement and performance management
- The roles should be defined by CAEs and their leadership teams with respect to:
 - Who they report to
 - Organization culture
 - What the auditor wants to accomplish
 - The maturity of performance management systems of the entities they audit

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Summary Thoughts: All Roles

- We have seen auditors fulfill many roles related to performance measurement & management:
 - Auditor of performance measures
 - Auditor of performance management systems
 - Adviser, consultant, trainer
 - Preparer of external performance reports
- These roles are essential for the auditor to build true accountability, as financial statements do not provide sufficient data on service performance
- As auditors, **we have to decide what our roles will be, and how to add the most value**



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Theme: Auditors Add Value to Government Performance

See *Auditors Adding Value* articles at www.AuditorRoles.org

- A series of articles on a wide range of ways auditors use these roles and practices to add value to government performance
 - Articles include examples from across North America
 - Some articles focus on a particular audit shop's value-added practices, from Tallahassee, to San Jose, to Winnipeg
 - With a stopover in Lawrence, Kansas, to see how a new audit shop used performance measurement to find a high-leverage way to start its work



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Understand and Emulate Best Practices

- IIA sponsored a Canadian/American research project and issued in 2014 "Emerging Strategies for Performance Auditing" by Ron Foster and Tom O'Connor
- Conclusions based on responses from 84 major cities in the United States and 32 from Canada
- Average time spent by respondents on performance auditing was 48% in Canada and 58% in the United States



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Auditor Roles Courses

Currently Available Through the IIA and EGAPP:

- **A New Service Model: Auditor Roles in Government Performance Measurement:** Survey all roles and determine your best opportunities to add or improve roles or practices
- **Assessing the Relevance and Reliability of Performance Information:** Make performance data more useful & trustworthy
- **Auditing Performance Management Systems:** Leverage auditor value by finding ways to improve systems to plan, measure, manage, and improve results
- **What Auditors Need to Know About Government Performance Measurement:** PM basics for auditors



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Additional Training/Assistance to Be a Better Performance Auditor

- EGAPP, Inc. provides training in all aspects of performance management and auditing. (CY 2016 Brochure Available)
- Auditor Roles Project provides training in assessing/auditing performance management systems and measures. Assistance can also be arranged.

Email to:

egappmorgan@yahoo.com



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Thank You.

- More questions.
- More comments.
- Thank you, again.



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