

High Impact Performance Auditing Through Enhanced Risk Assessment and Annual Planning

MAMIAF/SWIAF/SEIAF Joint Intergovernmental Audit Forum
Overland Park, Kansas
December 4, 2014

KIP MEMMOTT
CITY & COUNTY OF DENVER AUDITOR'S OFFICE



Performance Auditing Overview

- **Performance Auditing Defined**
 - Generally Accepted Government Auditing Standards

“Provide objective analysis to improve program performance and operations, reduce costs and facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and improve public accountability.”
(GAGAS 2011, par 2.10, A2.02)

Performance Auditing Overview

- **Performance Auditing Defined (cont.)**
 - Identify outstanding, adequate, and poor performance
 - Identify related consequences and significant causes
 - Suggest practical solutions for improving performance
 - Differences between performance and financial auditing
 - ✦ Its all about criteria and purpose

Performance Auditing Overview

- Professional Guidance
 - U.S. Government Accountability Office
 - Government Auditing Standards – the “Yellow Book”
 - Institute of Internal Auditors
 - Professional Practices Framework – the “Red Book”
 - Practice Guides, Position Papers, etc.
 - Key performance audit standards
 - Independence
 - Evidence and Findings – “*Interpreting Reality*”
 - Professional judgment
 - Communication

Performance Auditing Overview

- Value proposition – “*The art of being relevant*”
 - A profession in a state of evolution
 - Filling the objectivity void
 - Increasing partisanship and gridlock, saturation of misinformation, complexity of public policy issues
 - Lack of progress on critical public policy issues
 - With opportunity comes responsibility
 - Risk to profession for failure to seize opportunity

Expansion and Evolution

- Lennis Knighton’s Vision
- Increasing Auditor Risk Appetite
- Willingness to Audit 3rd Rail Issues
- Different Types of Audits
 - Governance
 - Program Effectiveness
 - Public Policy Efficacy
 - Prospective Analysis
- Being at the Right Place at the Right Time
 - Proactive versus Reactive Paradigm Shift

Office-Level Audit Plan Risk Assessment

A new look at the office-level audit plan risk assessment process

- **What are office-level audit plans?**
 - What purpose do they serve?
 - Common processes and elements
 - Mandated audits


Office-Level Audit Plan Risk Assessment

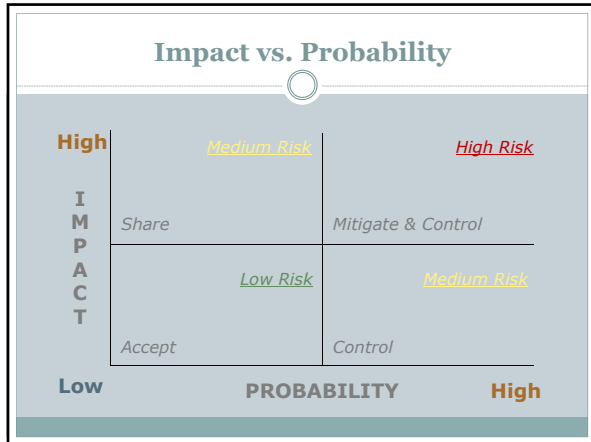
- **Traditional office-level audit plan pratfalls and fallacies**
 - Lack of flexibility
 - Over-quantification of subjective matter
 - Paradigm of looking backwards instead of forwards
 - Overly broad and non-realistic
 - Poorly communicated and marketed
 - Do not always engage audit staff sufficiently

The Audit Horizon

Towards a More Efficient and Effective Office Level Audit Plan Risk Assessment Process

- **The Denver Audit Horizon Concept**
 - Deliberate and overt performance audit strategy
 - Impact focused
 - Flexible and realistic
 - Transparent
 - Audit staff empowerment and buy-in
 - Marketing
 - Multi-year “horizontal” focus
 - Methodologies and risk assessment criteria





- ### Communication with Stakeholders
- Developing a proactive communications and marketing approach
 - Defining and understanding key stakeholders
 - External
 - Internal
 - Communication forums
 - Plan design
 - Denver Audit Plan “Above the Fold” front page story in Denver Post for consecutive years

- ### Assessing and Reporting Impact
- Innovative Methodologies
 - Societal Impact / Social Return on Investment (SROI)
 - Social Justice Audits
 - Citizen Surveys
 - ✦ Denver’s 311 Performance Audit
 - Measuring Impact
 - Internal Performance Metrics
 - Innovative Reporting Practices
 - ✦ Denver’s Comprehensive Audit Impact Report for the Citizenry
- 

Thank You



Contact Information

Kip Memmott

Director of Audit Services
City and County of Denver, Colorado

kip.memmott@denvergov.org

720-913-5027
