AUDIT IMPACT: LAYING THE GROUNDWORK FOR ACHIEVING ACTION ON AUDIT RECOMMENDATIONS

Janet St. Laurent, Director
Center for Audit Excellence
PRESENTATION OUTLINE

- The role of auditors in facilitating improved public sector performance
- Importance of having a strategic plan
- Strategies for drafting high value audit reports
- Techniques for working effectively with auditees
- Approaches for identifying broader themes from audit work to build momentum for action
CRITICAL ROLE
OF PUBLIC SECTOR AUDITORS

- “Public-sector auditing helps to create suitable conditions and reinforce the expectation that public-sector entities and public servants will performance their functions, effectively, efficiently ethically…” (ISSAI 100)

- Public-sector auditing contributes to good governance by “creating incentives for change by providing knowledge, comprehensive analysis and well-founded recommendations for improvement.” (ISSAI 100)
VALUE OF STRATEGIC PLANNING

- A sound strategic planning process is critical to help focus audit resources on high value audit topics

- Most Supreme Audit Institutions (SAIs) have developed strategic plans
  - 2014 Global Stocktaking report found that 92% of SAIs now have strategic plans, up from 73% in 2010

- Planning processes should also include tracking implementation of strategic plan objectives
GAO produces a 5-year plan to ensure the agency is able to anticipate and respond to congressional needs. *The next one will be issued in early 2018.*

Our current Strategic Plan highlights eight broad trends:

<table>
<thead>
<tr>
<th>NATIONAL SECURITY THREATS</th>
<th>DEMOGRAPHIC AND SOCIETAL CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Sustainability and Debt challenges</td>
<td>Science and Technology</td>
</tr>
<tr>
<td>Global Interdependence</td>
<td>Networks and Virtualization</td>
</tr>
<tr>
<td>Economy Recovery and Restored Job Growth</td>
<td>Shifting Roles of Government</td>
</tr>
</tbody>
</table>
CRAFTING PERSUASIVE AUDIT REPORTS

- Approaches for developing the audit report message
- Thinking like a reader rather than a writer
- Deductive vs Inductive writing
- Techniques for self-review such as checking for linkage and use of checklists
TOOLS FOR MESSAGE DEVELOPMENT

- Findings Matrix
- Writing on Walls
- Message-Oriented Report Outline
# FINDINGS MATRIX

<table>
<thead>
<tr>
<th>FINDING</th>
<th>Criteria</th>
<th>Condition</th>
<th>Cause</th>
<th>Effect</th>
<th>RECOMMENDATION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The wall has horizontal and vertical divisions. These divisions allow us to organize visually.

<table>
<thead>
<tr>
<th>OBJECTIVE 1</th>
<th>OBJECTIVE 2</th>
<th>OBJECTIVE 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Message statements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key points supporting message statements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting detail for each key point</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
WRITER- VERSUS READER-BASED WRITING
DEDUCTIVE STRUCTURE

- Present the main idea up front, then support
- Let readers know where you are going
- Give readers as much help as possible, for example, using headings
BEING YOUR OWN REVIEWER

- Use structured reading to focus on “higher order” concerns
- Look at linkage: objective-finding-conclusion-recommendation
- Are elements of the finding clearly presented?
- How will reader agree that evidence is sufficient and appropriate?
- Use a checklist as a memory jogger to help focus your review
TECHNIQUES FOR WORKING WITH AUDITEES

- “Auditors should establish effective communication throughout the audit process.” (ISSAI 100)

- Most or all audit organizations have some procedures for working with auditees such as entrance meetings, exit meetings, and processes for obtaining comments on draft reports.

- However audit teams can use additional techniques to build good relations and help audits to achieve greater impact.
TECHNIQUES FOR WORKING WITH AUDITEES

- Plan informal “check-ins” with auditee throughout the audit
- Schedule one or two meetings with senior level auditee officials in addition to meeting with working level contacts
- Discuss audit findings with auditees prior to sending a draft report; pay particular attention to obtaining auditee views on the cause(s) of problems
- Obtain auditee input on approaches for fixing problems and consider their perspectives on feasibility and cost of implementing recommendations
SPECIAL PRODUCTS FOR KEY ISSUES

- International Audit Standards state that SAIs should analyze their individual reports to identify themes, common findings, trends, root causes and recommendations and discuss these with key stakeholders.

- GAO does this in several ways. Examples include:
  - Annual Performance Accountability report
  - “High Risk” report every 2 years
  - Annual Duplication, Overlap, Fragmentation and Cost Savings reports
  - Fiscal Outlook and Debt
GAO’S HIGH RISK PROGRAM

- Every 2 years GAO designates high risk areas based on their:
  - Increased susceptibility to fraud, waste, abuse or mismanagement
  - Need for broad-based transformation to increase economy, efficiency, effectiveness

- Initiated in January 1990; most recent biennial update released in February 2017 cited 34 high risk areas
GAO’s 2016 Annual Report identified new areas of fragmentation, overlap, or duplication in federal programs and activities.

GAO also identified other opportunities for cost savings or revenue enhancement.
GAO's federal simulations show that absent policy changes, the U.S. federal government faces an unsustainable growth in debt.

A growing imbalance between revenue and spending is driven on the spending side by rising health care costs and the aging population.
GAO has robust follow-up procedures to document the impact of our work.

In fiscal year 2016, GAO achievements included:

- $63.4 billion in financial benefits as a result of actions taken
- 1234 improvements in program and operational areas across government
- More than 2000 new recommendations made
- 73 percent of recommendations made were implemented
Promote good governance and build the institutional capacity of domestic and international accountability organizations by providing high quality fee-based training, technical assistance, and related products and services.
CENTER OPERATIONS

- Launched on October 1, 2015 with communications tools including a webpage, short video and brochure.

- Has a roster of over 80 former GAO senior executives and audit managers with a wide range of experiences and expertise. We provide training at GAO and at client locations domestically and abroad.

- Response has been positive. We completed 10 projects in 2016 and have significantly expanded our programs in 2017.
We welcome you to learn more about the Center for Audit Excellence or contact us by:

- Visiting our webpage at [www.gao.gov/resources/centerforauditexcellence/overview](http://www.gao.gov/resources/centerforauditexcellence/overview)
- Emailing us at: centerforauditexcellence@gao.gov
- Calling us at:
  - Main number: (202) 512-7100
  - Janet St. Laurent: (202) 512-5854
  - John Hutton: (202) 512-7773