(EXTRACT from Auditor General's Annual Report of 1978)

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COMPREHENSIVE INTERNAL AUDITING WITHIN GOVERNMENT A RECOMMENDED APPROACH

Introduction

12.1 This Chapter, the second on comprehensive auditing, discusses the need for improvements to enhance significantly the quality of internal auditing in departments and agencies. Internal auditing in departments is separate and distinct from audits carried out by the Audit Office on behalf of Parliament, sometimes described as external auditing. Without the benefit of integrated, comprehensive internal auditing, senior government managers can have no real assurance that they are obtaining value for money and are managing resources effectively. Three actions are needed:

- integration of the wide variety of audit, review, inspection, monitoring and evaluation activities now taking place within departments;
- adherence to generally accepted standards or norms for effective audits; and
- management support and leadership both centrally and within departments.

The government will receive adequate value for the approximately $50 million departments now spend annually on audit activities only if these improvements are made.

12.2 Because of its size, dispersed operations and delegation of authority to managers, the Canadian government must have an effective internal audit. With all the competing demands on their time, deputy heads cannot themselves guarantee the integrity of their management systems. They need an effective internal audit capable of assisting them in assessing the systems and controls they use to manage the resources for which they are responsible.

12.3 Internal auditing may be defined as an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. There are various types of audits but they differ mainly in their scope. All have one thing in common: they are systematic investigations or appraisals of procedures or operations to determine conformity with established and sensible criteria. The criteria may not always be established where auditors venture into newer fields. If not, the first task of the auditor is to establish the scope by identifying the criteria he will use. Without a common understanding on audit criteria the audit findings are likely to be disputed.