

Value Added Auditing

Auditing Association of Canada

Conference – Auditing In A Rapidly Changing World

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- This session will be a panel format where we explore the issue of creating value in an audit engagement.
- We will hear thoughts on the subject from various perspectives including: feedback from the working group, audit clients, experienced auditors, registrars, certifying bodies.
- We encourage you to participate, through questions and comments.

Value Added Audit – Working Group Comments

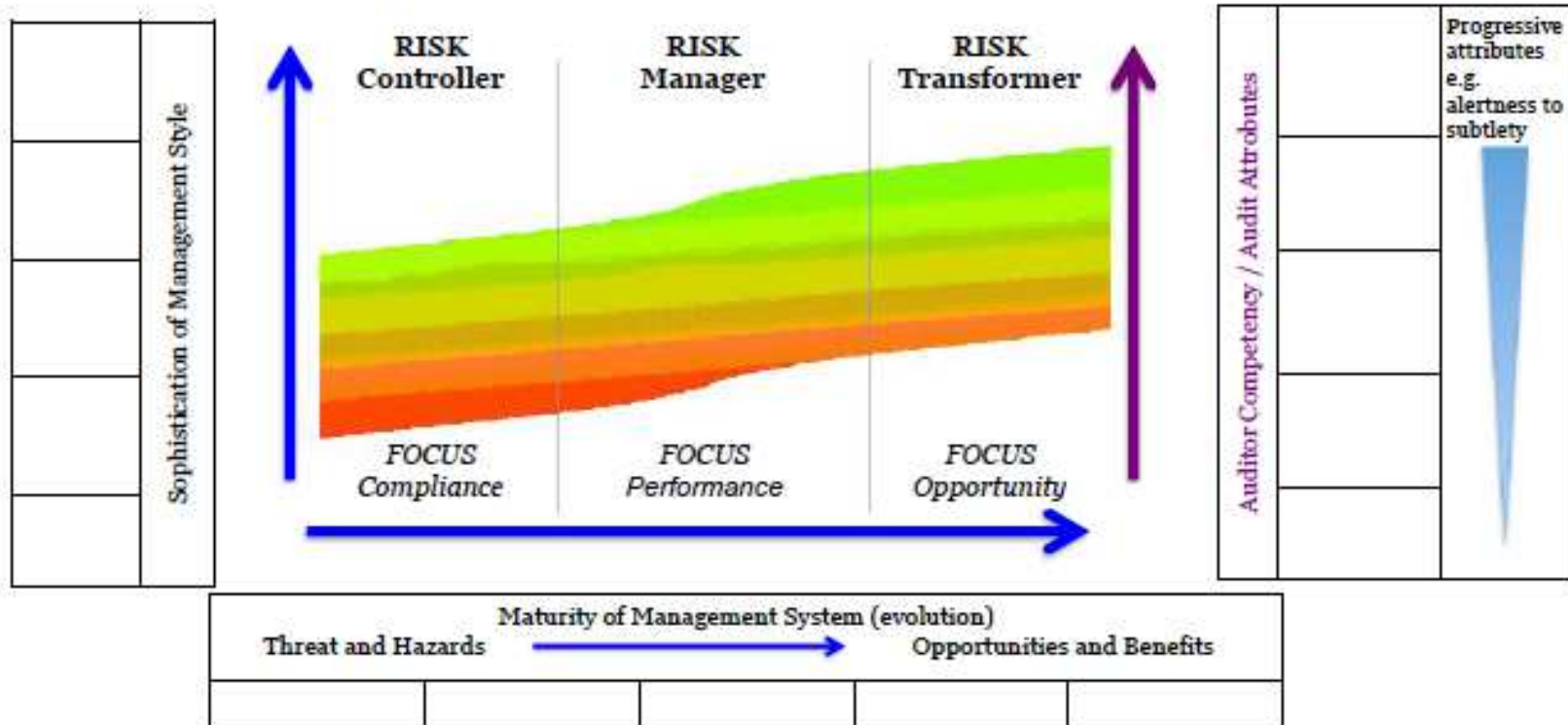
- International standards such as ISO/IEC 17021, 17025, 17065, ISO 9001, ISO 14001, and OHSAS 18001 are the product of global committee work and consensus.
- In the attempt to make them acceptable worldwide, the standards set minimum expectations.
- Progressive organizations report that they are having difficulty obtaining audits which support going beyond the minimum requirements of the standard.
- Frequent stakeholder (principally client) feedback is that they need to derive more 'value' from the audit engagement.
- Simple conclusions related to the state of conformity are of limited and diminishing value to many clients.
- Stakeholder feedback suggests that many would find value in the auditor making corrective or improvement suggestions.
- Organizations are noting that the scope of many audits is so focused on simple conformity that even when suggestions for improvement are noted, they have very little value to the organization due to their shallowness and their continued focus only on the achievement of conformity.

5 Key Issues

- lack a good understanding of what value-added auditing is or should be.
- lack of acknowledgement and support of the need for audits which go beyond conformity among stakeholders who have influence.
- key audit techniques are not as well developed and broadly understood as would be desired.
- conformity assessment rules discourage value-added auditing, or at the very least, are not encouraging of it.
- lack of consistent understanding and support of auditor competency related to value-added auditing.

What Is Value-added Auditing?

- *auditing and administration of the audit function which reinforces strong adherence to standards, yet enables Canadian business, certification bodies and the public and consumers to obtain full value from International Standards and for business to get a legitimate leg-up in the domestic and international marketplaces.*
- *There are two primary mechanisms to add value to audits:*
 - *Providing opportunities for improvement that are meaningful.*
 - *Providing appropriate insights into relevant management styles, philosophies and practices*



Green – represents extent of opportunity and benefit

Red – represents extent of threat and hazards

Plot x and y axis based on assessment of management system maturity and sophistication of management team.

Establish team competency requirements accordingly.

Notes: efficiency ≠ effectiveness ≠ value added

Recommendations:

- Clients must participate fully in determining the need for value-added auditing.
- The international standards system and conformity assessment need to respond positively to the emerging needs of progressive organizations in a manner that encourages and rewards organizations which wish to go above and beyond.
- A more liberal interpretation of the boundary between auditing and consulting is necessary, and a common acceptance of the interpretation is recommended amongst accreditation bodies and peer evaluators. The interpretation should be explored by accreditation bodies and peer evaluators in the context of the need for adding more value to audits -there is evidence that the interpretation given these words does vary among accreditation bodies.
- An evaluation of a client's readiness for a value added audit should take place in the contracting or planning phase of the audit engagement. The client's needs and expectations should align with their actual readiness.
- Auditors who lack the requisite management experience in the areas of managing people, process and budget should not be assigned more than a supporting role in a value-added audit or else should be relegated to conformity-only audits.
- International standards that pertain to auditor competency should recognise the need for management experience.
- An auditor must speak the language of the organization.

Feedback

- The report is available through the AAC – please contact admin@auditingcanada.com for a copy.
- Comments and feedback are welcome.