

APPENDIX F

Interviewing

F.1 Interviewing Skills

Interviews with entity representatives are a major source of information during planning and execution phases of the audit. Accordingly, the auditor needs strong interviewing skills. These skills include preparing for the interview, conducting the interview, and writing up the interview notes.

There are different ways of conducting the interview. In some situations, the auditor can adhere to predefined questions; at other times, the interviewer has to explore an area of questioning without any prepared set of questions (the unstructured interview). In most cases, the interview consists of a mix of prepared questions and responsive questions.

It is difficult for one person to conduct an interview and at the same time accurately record the details of interview. Therefore it is generally more effective to assign more than one auditor to the interview. Where this is possible, they should agree who leads the discussions and who is responsible for producing the audit notes afterwards.

Finally, the auditor must remember that the image of the auditor and DAGP, and the cooperation he or she will receive, depends to a large extent on the way the auditor conducts the interviews that are part of the audit activities.

F.2 Uses of the Interview

The interview forms a major part of the audit conduct, especially in value-for-money auditing.

The interview is conducted in the following situations:

- Initiating the audit;
- Obtaining an understanding of the business of the entity;
- Determining the significant audit issues;
- Obtaining leads on where to find audit evidence;
- Obtaining explanations;
- Obtaining audit evidence;
- Communicating audit findings;
- Exploring appropriate recommendations; and
- Briefing management in support of the audit report.

Although not the strongest form of evidence, the interview is often the main source of information for organising and directing audit effort. Also, although not an interview in the strictest sense, the conduct of briefing meetings requires similar skills.

Initiating the audit. In introducing the proposed audit, the auditor needs to explain how the audit was selected, what areas the auditor proposes to cover and how the auditor intends to conduct the audit. The auditor must be prepared to explain the proposed work and answer a diversity of other questions, such as how long the audit will take, how much time will be required from the entity's staff during this period, or why particular aspects of the operations

are going to be examined. The auditor should make entity management and staff comfortable with the upcoming audit and feel free to ask any questions they might have. This exchange of information should establish the basis of a “surprise-free”¹ audit process throughout all stages of the audit.

Obtaining an understanding. The first set of interviews should be used to obtain an understanding of the entity’s business. At the beginning, the auditor should seek the basic materials that will provide this information. Later interviews should be used to get explanations about the material provided. The more the auditor reads about the organisation, the less the managers’ and staff’s time is taken up answering questions.

Deciding what to examine. Initial interview discussions help the auditor determine what should be examined. It can be useful to ask management what they consider should be looked at. Also, the auditor may have identified serious potential weaknesses. Discussion with management can provide explanations for these apparent weaknesses. If the auditor is satisfied with the explanations, some issues may get dropped. In summary, interviews can be a valuable input to the process of determining significant audit issues.

Identifying availability of evidence. It is almost impossible for the auditor to find and examine all possible information about an operation. Also, the auditor does not have the time to seek out all information. Efficient audits require the judicious selection of information.

The interview is the best means of determining:

- sources of information that describe the operations (objectives, organisation, resources, activities, systems and procedures, outputs, outcomes);
- where to obtain the information; and
- how to collect the information.

In addition, the managers and staff are often prepared to:

- suggest examples to investigate (both well run activities/projects and problem areas);
- direct the auditor to particular studies and reports (on performance, organisational reviews, future strategies); and
- provide copies of correspondence supporting the statements being made in the interview.

Of course the auditor should independently check out the information provided. Although most managers and staff are well meaning and truthful, occasionally the auditor may be fed unreliable, incomplete or intentionally misleading information. Exploratory interviews must be supplemented with direct investigation by the auditor, such as file reviews, analysis of data and checking corroborating sources within, or external to, the organisation.

Obtaining explanations. When the auditor conducts a file review, or examines lists of transactions with accompanying documents, or performs analysis on a set of data, various questions are generated. Sometimes, these questions take the form of a written “audit query”. Alternatively, these questions can be the basis of a series of interviews with management and staff to obtain additional information, such as explanations of what was found.

Source of evidence. Interviews are a source of audit evidence. This is discussed in more detail below.

¹ I.e., providing feedback during the audit process.

Providing feedback. Interviews are part of a two way communications process. As well as collecting information, the auditor provides feedback to management on what he/she is finding and concluding.

The auditor needs to maintain an open approach while avoiding premature statements on conclusions where there is still insufficient evidence. Often the auditor is asked for feedback when conducting an interview to collect evidence. As long as the conclusions are clearly identified as preliminary, the auditor can use the discussion on what has been found to date as a means of testing whether the position is shared by management; obtaining feedback and additional evidence; and preparing management to accept the results being obtained from the audit.

At the completion of the audit work in a particular area, the auditor should brief management on the main findings and conclusions. At the same time, the auditor should take the opportunity to explore appropriate recommendations.

In delivering the draft report, the auditor should either brief the management at the time of delivering the report or, alternatively, the report can be delivered a few days prior to an arranged meeting to discuss it. Normally the auditor should not send a final report to management without first discussing the report and asking management for a timely response, say within two weeks. If there is strong resistance to the report it is best to discuss it close to the time the report is delivered rather than allowing time for a formal reply to be composed. The auditor can counter strong objections with agreement to examine further evidence or to change the wording prior to any formal response. Although technically these briefing meetings are not interviews, many of the same skills are required to deliver the messages, respond to comments and request more information.

F.3 Process of Conducting the Interview

There is much more to interviewing than asking questions and obtaining answers.

The process of conducting interviews includes the following steps:

- Planning and scheduling;
- Conducting the interview (from opening to closing);
- Applying interviewing techniques; and
- Documenting and reviewing the evidence (providing evidence, summarising the results and reviewing).

F.3.1 Planning and Scheduling the Interview

Scheduling interviews. Careful planning of the interviews can reduce the overall time of the audit substantially. Often it is difficult to arrange meetings with senior managers. The scheduling of meetings should begin well in advance of the time that the interviews are to be conducted. There is no assurance that a manager will be available at short notice.

Reasons for unavailability might be tight deadlines, conferences, visits outside of the office as well as the scheduling of vacation time.

Accordingly, appointments should be set up well in advance. When making the appointment, the auditor should outline topics to be covered and how long the interview will take. Sometimes, an outline of the questions will be requested. Depending on the nature of the audit,

the questions may be sent in advance. Where it is not desirable to send detailed questions, the auditor can send an outline of the areas to be covered in the interview.

Wherever possible, at the commencement of the audit, the audit team should meet with the senior manager responsible for the audit areas, rather than an acting manager. Even if this meeting is brief and just a courtesy call, it should be scheduled prior to any major audit work. Similarly, the audit report should be delivered when the senior manager is available to read the report. If possible, an acting manager should not receive the report in the absence of the senior manager.

Sometimes, the manager of the areas to be audited will request that the auditors meet with the whole management team at the start. This is an excellent way of launching the audit. The auditors, however, must be prepared to answer questions at this meeting. This meeting is a good opportunity to set up a schedule of interviews.

Planning the interviews. The audit programme should have identified the initial set of interviews. The auditor needs to identify which entity managers are responsible for which areas of audit investigation. It is useful to have some overlap in the areas covered because actual activities may not be completely consistent with the official responsibilities. Also, some areas may be impacted on by others and discussions can lead to discovering interface problems. The initial set of interviews will lead to additional interviews to schedule. Thus the plan of interviews has to be continually updated as the audit progresses.

Preparing the interview. The first step in preparing the interview is to determine the objective(s) of the interview. If the objectives of the interview are not clear, the auditor is likely to conduct a poor interview and appear confused. This could expose the auditor to being accused of wasting the manager's time. Other issues can arise during the audit that are outside the original objectives. This is acceptable. However, the auditor should establish the minimum set of information to collect from the interview, and should ensure it is covered before the interview terminates.

The auditor should prepare an interview agenda. This can be quite broad but a pre-defined structure for the interview makes the interview more efficient and the auditor is more likely to cover all required areas. The person to be interviewed may ask for an agenda prior to the interview. The agenda is a good way of starting the interview after the initial social exchanges. The agenda helps to keep the proceedings more organised.

In most cases, the auditor should prepare and organise a list of questions. At the early stage of the audit, interviews are often less structured and therefore only a few broad questions may need to be prepared before the interview. At later stages of the audit, the auditor needs to confirm precisely what exists and does not exist and so the questions are generally more specific.

Sometimes, the team consists of auditors with different responsibilities: one person may be auditing HR issues while another is looking at computer systems. The budget of the audit may not permit all team members to visit all sites. In this case, each team member with a particular audit area of responsibility should produce a detailed set of all inclusive and very specific questions for other team members to ask when visiting each site.

Preparing for the interview. The auditor should ensure that he/she has sufficient background knowledge prior to conducting the interview. Also, the auditor should not take the time of management to obtain basic information that can be obtained elsewhere. The manager will

have much more respect of the auditor if the auditor already has a sound understanding of the areas of audit.

The auditor should have a good background understanding of the business, and the technical details of the operations, prior to conducting the interview. For example, if conducting an audit on heavy equipment, the auditor should get to know the equipment: the different models of equipment that are used in the operations, and their load capacities, as well as other technical details. The interview will proceed much more smoothly than if the auditor has to interrupt the speaker every few minutes to ask for an explanation of the different equipment model numbers or, even worse, is lost in the detail. In some of the very technical areas, it is useful to have a technical person on the audit team who can apply his/her experience in judging procedures and performance.

Even with a fully structured set of questions, the interview may not necessarily proceed along the original plan. The answers may indicate that some of the questions are inappropriate or may lead to new avenues of enquiry. As a result, there may be insufficient time to cover all the questions. Consequently, the auditor should be prepared before the interview with an interview strategy. The auditor should decide what, at a minimum, needs to be covered in the interview. A few good answers are much more valuable than all questions answered incompletely or superficially.

F.3.2 Conducting the Interview

In situations where the information is sensitive, or there is a concern that the interviewee might wish to deny the evidence collected during the interview, there is an advantage to have more than one auditor present.

The interview has three stages:

- Introduction;
- Main body; and
- Wind down.

Introduction. The beginning of the interview is very important. It sets the tone for the rest of the interview and also can establish a rapport that will last throughout the audit.

Often people are nervous about being audited. To overcome this, the auditor should put the interviewee at ease during the introduction. The auditor should provide an explanation about the audit, informing the interviewee what areas are being proposed for audit and what the auditor expects to look at. Ask them if they agree with the coverage or whether there are any areas that they suggest should be included or excluded and why. Ask them if there are any particular issues that they would like the audit to address. Give them a list of criteria, either in a hard copy form or go through it to the level of detail that the person wants. Enquire if they have any questions.

Review audit agenda. Before commencing with the audit questions, the auditor should outline the interview coverage. This helps the interviewee to know where the discussions will be going and also allows him/her to decide whether any discussions can be postponed until a later part of the interview. Also, establish how much time the person has for the interview.

Confirm confidentiality. The interviewee should be informed that the interviews are treated in confidence. Particular comments will not be attributed to an individual. However, the auditor should avoid saying anything is off the record: if the information subsequently becomes

known, it could jeopardise the auditor's image of integrity and reflect badly on the audit organisation. Sometimes, the interviewee will ask that no notes be taken on a particular point. The auditor may comply with this request at his or her discretion.

Picking up signals. Throughout the interview, the auditor must consider whether the answers provided seem reasonable, reliable and complete. Body language, brief asides and special phrasing of the answer can provide considerable insight to underlying reality that the answer is not directly providing. When the auditor picks this up, he/she can ask for an elaboration at that point or, alternatively, can return to it at a later stage of the interview. Interviewing skills come into play here. It is a matter of judgement as to when to request more information, depending on whether the interviewee seems relaxed and wishing to elaborate or whether responses are more likely to be provided later in the interview. In some cases, the auditor may decide to leave in-depth questioning until a future time.

Hesitancy in answering questions is caused by many factors. There may be conflict between:

- A desire to be truthful and also to have malpractices corrected; and
- A loyalty to the organisation/colleagues and fear of possible repercussions.

The interviewee may not trust the auditor sufficiently at the beginning. Sometimes the information is provided by a hint, suggesting, for example, that the auditor should consider other projects than those in the sample.

Collecting opinions. Often managers and staff provide opinions. These normally do not constitute evidence. The auditor should request elaboration and explanation of these statements; ask for examples that illustrate, and support, the opinion.

Interview evidence is not usually a strong form of evidence. So, wherever possible, the auditor should request supporting evidence (such as memos, reports, documents, print-outs, and other collaborating evidence).

Usually, answers provided in an interview are from memory, unless the respondent has spent some time researching in preparation for the interview and has material on hand to support the answers. Consequently, oral statements may not always be accurate. The auditor should check the validity of statements by consulting other sources. For example, the manager may state that there have been major delays. The auditor should ask for the specific cases and go back to documentation to calculate the actual delays. It is common for claims to be exaggerated.

Dealing with conflict and lack of cooperation. Sometimes the auditor experiences a lack of cooperation. Although the auditor has in most cases the power and authority to demand information, this authority should only be used in extreme cases. It is better to acquire the information through cooperation.

If there is a lack of cooperation, the auditor should attempt to determine the reason for it. There can be many reasons. For example, the interviewee may:

- have something serious to hide;
- feel threatened by the auditor or the audit process, and may want to challenge the authority of the auditor;
- be very busy and not consider the audit a priority (in which case the role of the auditor may not have been made clear within the entity);
- may not want to admit that there is a weakness and may hope that the auditor will drop the matter if confronted with a lack of cooperation; or
- may have been offended by the auditor or may have taken a dislike to the individual.

Depending on the reason for the lack of cooperation, there are different ways of handling it. If the lack of cooperation is over a minor point the auditor should not press for an answer. The auditor can always return later if the information is critical to the audit.

In general, it is better to return to the issue at a later date, rather than allowing a conflict to develop. Give the interviewee time to think about the position he/she has taken. If the information is important, and after trying to discover the reason and not getting a clear answer, the auditor, as a last resort, can either state the intention to consult his/her Audit Manager or state the intention of going to the official contact for the conduct of the audit (usually the senior manager in charge of the area under audit, or sometimes a designated contact for the auditors).

Open, low-key approach. The auditor should remain relaxed and comfortable throughout the interview. Do not rush to cover all questions. If the auditor is running out of time, the interviewee should be asked whether he/she would prefer to continue beyond the original scheduled time or arrange another date to complete the interview.

An honest approach is best. If the auditor is asked a question and does not know the answer, or if some of the statements are not clear, the auditor should be prepared to admit ignorance or ask for clarification.

If the auditor has made a good effort to learn about the entity, there is no problem in acknowledging a lack of specific knowledge. If more information is required, the auditor should ask for a source for obtaining it. If the auditor is asked a question for which they do not have the answer, he/she should ask for some time to obtain the information.

Where actual management practice is not consistent with normally accepted practice (such as accounting standards, good management practice, government contracting procedures, etc.) the auditor should not assume that it is wrong and immediately take a critical position. First, get the management view and find out why the particular practice is in place. Enquire why there is a difference between what the auditor would expect and what is being done.

There may be good reasons for the difference and, if not, the manager may well agree with the auditor that that there should be changes.

Taking notes. The output of the interview is the information collected. Therefore, the auditor must be able to produce sound, representative and accurate notes of the interview. Certain note-taking practises are effective in this regard, as follows:

1. Pre-prepared questions reduce the amount of notes required; whereas, improvised questions require the auditor take notes of both the question and the answer.
2. The interviewer cannot normally take complete notes during the interview so as soon as possible after the completion of the interview the auditor should go through the notes and add points that were left out during the interview.
3. The auditor should use **key words** to help recollection after the interview.
4. The auditor should also develop the skill to recognise where a verbatim quotation is significant and take notes accordingly.

Wind down. Towards the end of the interview, the auditor should check how much time is left and how much further material needs to be covered. There are some choices: speed up the

process to get answers quickly to all remaining questions; ask if the interview could be extended; or ask to reschedule the interview to complete all areas.

It is sometimes worth summarising the key points from the interview, although time constraints may not permit much summary discussion. At the end of the interview, the auditor should review what material has been requested.

Not only should the interviewee note what material has been requested but the auditor should note these also. The auditor must make sure that he/she returns to collect the material subsequently.

The auditor should always enquire, at the end of the interview, whether the interviewee has any questions. Make it clear that the interviewee can get back to the auditor at any time if there are any questions. The auditor should add that if there is anything about the audit that they are troubled by, to feel free to contact him/her for clarification.

In turn, the auditor should ask permission to get back with further questions. Where the auditor is on a site visit, he/she can follow up with further questions by phone. Usually a subsequent phone call is welcomed as it allows the managers or staff to know how the audit is proceeding.

F.3.3 Applying Interviewing Techniques

There are different methods of conducting interviews. The auditor should be comfortable applying different methods according to the needs of the audit process.

Structured / unstructured interviews. The interview can take a structured or an unstructured form or some combination of these. The unstructured interview is also referred to as an exploratory interview. The auditor enters the interview with only a very broad outline of what information is to be collected. The approach may take a form of requests rather than specific questions. For example, the auditor could start by saying “Please tell me what challenges your area faces.” Often, without being asked, the interviewee suggests that the interview start with him/her providing the auditor with an explanation of what the work is all about. In these situations, the auditor must be a *good listener*. An interruption to ask for more detail on a particular point can disrupt the flow of information. Detailed questions can wait until later – let the interviewee describe the business. Interruptions should be kept to a minimum. Only if the information gets too irrelevant to the area of audit should the auditor redirect the discussion. The interviewee should be encouraged with appropriate interjections to indicate that the auditor is following and appreciates the points being made.

Structured interviews require a logical framework for the conduct of the interview together with specific detailed questions. Structured interviews are necessary if the auditor is doing a “survey” of opinions, or has specific findings to confirm precisely. Opinions are not normally in themselves evidence. If the auditor can report, however, that “83% of those interviewed found that their roles and responsibilities were not clear”, then this is a strong piece of evidence to support the auditor’s analysis of the statements on roles and responsibilities. Very specific questions can force a precise answer.

Normally, interviews during the early stage of the audit tend to be unstructured. At the later stages of the audit, where the auditor wants to obtain explanations and wants to confirm specific audit findings, a structured interview is much more appropriate. Also, experienced auditors work well with unstructured interviews whereas junior auditors should develop, or be

provided with, detailed questions prior to conducting an interview. Structured interviews make it a lot easier to take notes, because all that has to be recorded are the answers.

Biased / unbiased questions. Auditors must be careful in the way they phrase questions and must be aware of whether their questions are biased or unbiased. Generally, questions should be unbiased, although in some situations where they want to confirm an understanding the question is directed (and in that sense could be described as biased). An unbiased question is one that is neutral as to the expected answer. It does not “lead” the response or suggest a more appropriate answer. It provides a full range of possible answers rather than restricts the possible answers.

Examples of biased questions are:

- Would you say that generally error rates are low?
- Would you say that there should be very detailed controls?
- Do you agree that the findings are correct?

Examples of unbiased questions are:

- Do you know what were the error rates last month? If no figures are available, would you judge that the error rates were lower, the same, or higher than those in the previous month?
- In your opinion, do you think that there should be very detailed controls, some controls, or no controls?
- Do you agree, or disagree with these findings?

Focus. Responses can range from evasion of the question to long drawn out explanations with unrelated details. The auditor needs to develop the skills to help focus the responses to provide meaningful and brief replies. Sometimes the respondents get side tracked. The auditor needs to judge whether useful information is being provided or whether this is a waste of time. At the early stages of the audit, these lengthy asides can provide very valuable information. The auditor needs to have ways of bringing the discussions back on the main line of questioning. For example, the auditor can make polite suggestions that these points can be raised at a later stage of the interview.

There can be conflicting objectives within an interview. Sometimes the interviewees are most interested in imparting their perspective, whereas the auditor is most interested in getting answers to the questions along their particular framework of investigation. Unless these different perspectives are recognised, there can be a breakdown in communication.

The way something is said can be more important than what is being said. The auditor should develop an interviewing style that causes minimum resentment to what the auditor needs to communicate. If the auditor phrases an observation in the form of a question rather than as a statement, it is more likely to be accepted. For example, instead of commenting that “the transaction is not in compliance with regulations” he/she might inquire “Would you agree that the transaction was not carried out according to the regulations? If so, why was that?”

Sometimes the auditor needs to establish a trail of logic rather than go directly to the issue. Each fact is established piece by piece until the overall conclusion is irrefutable. For example, if the auditor suspects that sales income from a processing plant is being understated, he/she can ask what is the capacity of the plant, whether it is operated efficiently, and for how many hours per day and how many days per year. The auditor can then multiply the total production figure, so derived, for the year by the unit price to get the total expected sales income for the year, and ask the interviewee to explain the shortfall.

Knowledge of many of the answers before the interview gives the auditor an advantage. When, for example, it is obvious that the auditor knows there is a problem, respondents are often much more likely to provide the truthful answers than if they think that they might be able to bluff an answer.

Tape recording. Although not common, a tape recorder can be used for interviews. The interviewees should be asked if they mind the use of the tape recorder. Although there may be some hesitation at the start, normally there are no problems with its use. The interviewee can always ask that the recorder be stopped at any point. The advantage of the tape recorder is that an accurate and detailed record of the interview is produced.

Telephone interviews. A useful means of carrying out the collection of audit evidence is the telephone. Although it may not be used very often in place of a site visit, it is common to use the phone for follow-up collection of missing evidence that did not get collected during the visit. Now, with the availability of e-mail, files and reports can be sent in response to a telephone call. Also, a tape recorder can be used for telephone calls. Of course, the auditor must inform the interviewee of the intention to use the tape recorder and obtain his/her permission to use it.

F.3.4 Documenting and Reviewing the Evidence

The auditor must maintain good interview notes, because they:

- need to be relied upon for evidence;
- indicate professional working habits; and because they
- are a source of information that can be referred to throughout the conduct of the audit.

Although interview evidence is not normally considered a strong form of evidence, it is nevertheless a valuable source of evidence.

One reason why interview notes are not considered strong evidence because, unless validated by the person interviewed, they can be denied at a later date. The interviewee can always claim that the auditor misquoted what was said. Furthermore, if they are to remain confidential, they cannot be divulged as evidence in the normal process of clearing findings. The auditor must always take care to ***not divulge the source of information***. It is not appropriate to request the interviewee to sign a copy of the notes (but it is a good practice to obtain written confirmation of what was discussed at a meeting held to discuss findings – see paragraph 12.102 below).

The only time interview notes should be available outside the audit office would be if there was an independent third party or review of the working papers.

Each interview should be clearly documented (either typed or clearly written²) and include:

- The audit title;
- Who was present (interviewees / auditors);
- Positions within the entity and titles;
- Telephone numbers (and where applicable address – room number, building);
- Date of interview;
- All key points obtained (clear replies to specific questions, additional comments that are relevant, quotes verbatim where highly significant);

² Normally the notes written during the interview are not sufficiently clear or extensive to constitute appropriate notes. The interview needs to be written up in full as soon after the interview as possible.

- Summary of main points (not necessary but useful) and any follow up questions resulting from the interview;
- List of documents obtained or promised (particularly if any documents are provided on a loan basis); and
- Items remaining for follow up from auditor or respondent.

The auditor should return to the interview notes later in the audit. The notes may include comments or references that did not mean much at the time but which, after collecting additional evidence, may become more meaningful and may provide additional leads.

A strong source of evidence is minutes of exit meetings. Here the observations collected during a visit are provided verbally to senior entity management of the area. Minutes of the meeting (with the observations and the responses to the observations) can be sent to the manager for confirmation. This information does not divulge the source of the observations yet, at the same time, the formal acknowledgement constitutes strong evidence.

When the auditor prepares the audit report, or briefing material, it is useful to list observations/findings and go through the interview notes and attach relevant comments from all the interviews under each heading. This process of analysis demonstrates where the verbal evidence is consistent (and in that sense strong) and where there may be differences. The differences can indicate potential problem areas that need further investigation or may simply reflect different perspectives according to where the interviewees are located within the entity.