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Ms. Maridel Piloto de Noronha, PAS Secretariat

Via email: semec@tcu.gov.br

RE: Exposure Drafts ISSAI 3000 Performance Audit Standard; ISSAI 3100 Guidelines on central concepts for Performance Auditing; ISSAI 3200 Guidelines for the performance auditing process.

Dear Madam Secretary:

On behalf of the more than 180,000 global members of The Institute of Internal Auditors (IIA), I am pleased to provide our general observations and specific comments on INTOSAI's ISSAIs 3000, 3100, and 3200 exposure drafts related to Performance Auditing. Our observations and comments were developed by a team of leaders in the internal audit profession, representing The IIA's global reach and public sector experience. Our general observations are presented below with specific comments for ISSAIs 3000, 3100, and 3200 in Attachments A, B, and C, respectively.

Consider elevating some best practices to requirements.

The IIA believes that, collectively, ISSAIs 3000, 3100, and 3200 provide a solid foundation for Performance Auditing. ISSAI 3000 is sufficiently generic that application of the Performance Audit Standard can be tailored to meet the varying needs of SAIs. However, the generic nature of the standard can be construed to potentially set a low bar for compliance. For example, ISSAI 3100 recommends a continuous professional development program, and meaningful monitoring and reporting on the quality assurance and improvement program, as best practices. To strengthen the standard, INTOSAI should consider elevating these best practices from recommendations to requirements.

Make a distinction between the terms "independence," "impartiality," and "objectivity."

ISSAIs 3000 and ISSAI 3100 have multiple references to the terms "independence," "impartiality," and "objectivity." In reviewing these documents, and ISSAI 30 *Code of Ethics, Chapter 3 Independence, Objectivity and Impartiality*, the terms "objectivity" and "impartiality" are used interchangeably. In other contexts, we infer that independence and objectivity are required conditions for impartiality. However, the distinction between independence and objectivity/impartiality is not made clear.

While related, we believe there is a fundamental difference between being independent and being objective/impartial. The IIA does not use the term “impartiality,” but our *International Standards for the Professional Practice of Internal Auditing (Standards)* distinguishes between the terms “independence” and “objectivity.”

The IIA’s *Standards* define independence as: “The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.” Therefore, the ability to be independent is generally a function of the reporting relationship(s). The IIA’s *Standards* define objectivity as: “An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.”

We suggest that the ability to be impartial/objective is the result of being able to take an unbiased approach to work. An internal auditor can be independent, while not being impartial/objective. Conversely, an internal auditor can be impartial/objective, while not having an independent reporting relationship.

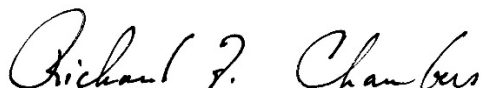
We did not address every instance where these terms are used, but Attachment A and Attachment B include recommendations for the specific areas we thought most critical. We encourage INTOSAI to review how these terms are used throughout its International Standards of Supreme Audit Institutions.

Further recognize the importance of internal audit.

Another suggestion for strengthening ISSAIs 3000, 3100, and 3200 is to further recognize the importance of internal audit. The Memorandum of Understanding (MoU) between The Professional Standards Committee (PSC) of The International Organization of Supreme Audit Institutions (INTOSAI) and The Institute of Internal Auditors (IIA) recognizes the importance for SAIs to rely on the work of internal audit. Where feasible, we encourage SAIs to consider the work of internal audit with regard to Performance Auditing.

Please do not hesitate to contact Francis Nicholson, The IIA’s Managing Director of Global Advocacy, if you have any questions about this response and/or would like to schedule a time for us to either meet in person or via conference call. Mr. Nicholson can be reached at francis.nicholson@theiia.org or +1-407-937-1236.

Best regards,



Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and Chief Executive Officer

Attachment A

ISSAI 3000 Performance Audit Standard

PARAGRAPH	COMMENT
19	<p>Current Text: Performance auditing carried out by SAIs is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.</p> <p>Recommendation: <i>Add the concept of assessing whether programs are operating in accordance with legislative authority.</i></p> <p>Suggested Revision: Performance auditing carried out by SAIs is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with legislative authority and the principles of economy, efficiency and effectiveness and whether there is room for improvement.</p>
24	<p>Current Text: The auditor shall comply with the SAI's procedures for independence and ethics, which in turn must comply with the related ISSAI on ethics.</p> <p>Recommendation: <i>Add "impartiality" to the requirement.</i></p> <p>Suggested Revision: The auditor shall comply with the SAI's procedures for independence, ethics, and impartiality, which in turn must comply with the related ISSAI on ethics.</p>
26	<p>Current Text: The auditor shall take care to remain independent so that his/her conclusions and findings will be impartial and be seen as such by third parties.</p> <p>Recommendation: <i>Add "and objective" to the requirement.</i></p> <p>Suggested Revision: The auditor shall take care to remain independent and objective so that his/her conclusions and findings will be impartial and be seen as such by third parties.</p>

PARAGRAPH	COMMENT
27	<p>Current Text: In performance audits there might be specific risks to independence that the auditor must also consider.</p> <p>Recommendation: <i>Add “and objectivity” to the requirement.</i></p> <p>Suggested Revision: In performance audits there might be specific risks to independence and objectivity that the auditor must also consider.</p>
39	<p>Current Text: The auditor shall set a clearly-defined audit objective(s) that relates to the principles of economy, efficiency and effectiveness.</p> <p>Recommendation: <i>As noted in the comment on Paragraph 19, add the concept of assessing whether programs are being carried out in accordance with legislative authority.</i></p> <p>Suggested Revision: The auditor shall set a clearly-defined audit objective(s) that relates to the principles of economy, efficiency and effectiveness and determine whether programs are being carried out in accordance with legislative authority.</p>
55	<p>Current Text: Discussing the audit criteria with the audited entities serves to ensure that there is a shared and common understanding of what quantitative or qualitative criteria the audited entity will be assessed against. This is particularly important when the criteria are not obvious, or the criteria have to be developed and refined throughout the course of the audit work. In such cases, communication of the criteria with the audited entity helps enhance the acceptability and relevance of the audit criteria in relation to the audit objective(s).</p> <p>Recommendation: <i>Expand the text to clarify that when obtaining written concurrence from the audited entity, the auditor should ensure that the criteria are suitable in the circumstances and provide an appropriate and reasonable basis for assessing against audit objectives.</i></p> <p>Suggested Revision: Discussing the audit criteria with the audited entities serves to ensure that there is a shared and common understanding of what quantitative or qualitative criteria the audited entity will be assessed against. This is particularly important when the criteria are not obvious, or the criteria have to be developed and refined throughout the course of the audit work. In such cases, documented communication of the criteria with the audited entity helps enhance the acceptability and relevance of the audit criteria in relation to the audit objective(s). The audit criteria should provide an appropriate and reasonable basis for assessing against audit objectives.</p>

PARAGRAPH	COMMENT
58	<p>Current Text: Actively managing audit risk also includes considering whether the audit team has sufficient and appropriate competence to conduct the audit, has adequate access to accurate information of good quality, has considered any new information that is available, and considered alternative perspectives.</p> <p>Recommendation: <i>Add “reliable and relevant” to further explain what good quality entails.</i></p> <p>Suggested Revision: Actively managing audit risk also includes considering whether the audit team has sufficient and appropriate competence to conduct the audit, has adequate access to accurate, reliable and relevant information, has considered any new information that is available, and considered alternative perspectives.</p>
93	<p>Current Text: Documentation is important to provide a clear understanding of the work carried out to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations.</p> <p>Recommendation: <i>Expanding the explanation to include the concept that the documentation should be sufficient to allow re-performance of the audit work.</i></p> <p>Suggested Revision: Documentation is important to provide a clear understanding of the work carried out to enable an experienced auditor having no previous connection with the audit to re-perform the audit task if needed, and subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations.</p>
95	<p>Current Text: It is important for the auditor to prepare the audit documentation in a timely manner; keep it up to date throughout the course of the audit; and complete the documentation, to the extent possible, before the audit report is issued.</p> <p>Recommendation: <i>Some countries auditing standards require that documentation be completed within a specified number of days of completion of the audit, for example 60 days. The concept of “timely” should be defined.</i></p> <p>Suggested Revision: It is important for the auditor to prepare the audit documentation in a timely manner (e.g. a specified number of days within the completion of the audit or in compliance with national standards); keep it up to date throughout the course of the audit; and complete the documentation, to the extent possible, before the audit report is issued.</p>

PARAGRAPH	COMMENT
97	<p>Current Text: The auditor shall select audit topics that are significant and auditable, and reflect the SAI’s mandate.</p> <p>Recommendation: <i>Replace “reflect” with “are consistent with”</i></p> <p>Suggested Revision: The auditor shall select audit topics that are significant and auditable, and reflect are consistent with the SAI’s mandate.</p>
104	<p>Current Text: The auditor shall plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.</p> <p>Recommendation: <i>Add that the audit should be carried out in accordance with all applicable and relevant standards and/or INTOSAI standards.</i></p> <p>Suggested Revision: The auditor shall plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with all applicable and relevant standards and/or INTOSAI standards and the principles of good project management.</p>
105	<p>Current Text: The performance audit can be divided into a pre-study and a main study. The pre-study is part of the planning process. The main study is where the audit is conducted and reported.</p> <p>Recommendation: <i>Replace the terms “pre-study” and “main study” with “planning phase” and “examination phase,” respectively.</i></p> <p>Suggested Revision: The performance audit can be divided into a pre-study planning phase and a main study an examination phase. The pre-study planning phase is part of the planning process. The main study examination phase is where the audit is conducted and reported.</p>

PARAGRAPH	COMMENT
115	<p>Current Text: The auditor shall obtain sufficient and appropriate audit evidence in order to establish findings, reach conclusions in response to the audit objective(s) and questions and issue recommendations when appropriate.</p> <p>Recommendation: <i>Add that the evidence should be obtained in accordance with all applicable and relevant standards and/or INTOSAI standards.</i></p> <p>Suggested Revision: The auditor shall obtain sufficient and appropriate audit evidence in accordance with all applicable and relevant standards and/or INTOSAI standards in order to establish findings, reach conclusions in response to the audit objective(s) and questions and issue recommendations when appropriate.</p>
136	<p>Current Text: The auditor shall provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit, whenever relevant and allowed by the SAI's mandate.</p> <p>Recommendation: <i>Consider changing "likely to contribute significantly" to "designed"</i></p> <p>Suggested Revision: The auditor shall provide constructive recommendations that are likely to contribute significantly designed to addressing the weaknesses or problems identified by the audit, whenever relevant and allowed by the SAI's mandate.</p>

Attachment B

ISSAI 3100 Guidelines on central concepts for Performance Auditing

PARAGRAPH	COMMENT
6	<p>Current Text: Performance auditing carried out by SAIs is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.</p> <p>Recommendation: <i>Consider adding the words “in accordance with legislative authority and”</i></p> <p>Suggested Revision: Performance auditing carried out by SAIs is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with legislative authority and the principles of economy, efficiency and effectiveness, and whether there is room for improvement.</p>
20	<p>Current Text: The auditor shall comply with the SAI’s procedures for independence and ethics, which in turn must comply with the related ISSAI on ethics.</p> <p>Observation/Recommendation: <i>This is an area of confusion. The ISSAI on ethics includes guidance on the attributes of integrity, independence, objectivity, impartiality, professional secrecy, and competence. Why only mention independence here?</i></p> <p>Suggested Revision: The auditor shall comply with the SAI’s procedures for independence and ethics, which in turn must comply with the related ISSAI on independence (ISSAI 11) and ethics (ISSAI 30).</p>

PARAGRAPH	COMMENT
21	<p>Current Text: To be independent, and be seen as such, the auditor needs to be free from situations which could impair the auditor’s objectivity. Independence comprises:</p> <ul style="list-style-type: none"> • independence of mind - the state of mind that prevents the auditor from being affected by influences that compromise professional judgment, thereby allowing an him/her to act with integrity and exercise objectivity and professional scepticism; • independence in appearance - the absence of circumstances that would cause a reasonable and informed third party, having knowledge of the relevant information, to reasonably conclude that the integrity, objectivity, or professional scepticism of an audit organization or member of the audit team had been compromised. <p>Observation/Recommendation: <i>Please see the second general comment in our cover letter regarding independence and objectivity. We encourage INTOSAI to clarify the use of the terms independence, objectivity, and impartiality, and to consider rewriting this paragraph as appropriate.</i></p>
23	<p>Current Text: It is a good practice for all auditors working on a performance audit to confirm their independence before commencing work on the audit and throughout the audit.</p> <p>Recommendation: <i>Add that a confirmation of independence should be confirmed in writing.</i></p> <p>Suggested Revision: It is a good practice for all auditors working on a performance audit to confirm their independence in writing before commencing work on the audit and throughout the audit.</p>

PARAGRAPH	COMMENT
25	<p>Current Text: The auditor shall take care to remain independent so that his/her conclusions and findings will be impartial and be seen as such by third parties.</p> <p>Recommendation: <i>Add “and objective” to the requirement.</i></p> <p>Suggested Revision: The auditor shall take care to remain independent and objective so that his/her conclusions and findings will be impartial and be seen as such by third parties</p>
28	<p>Current Text: Threats may fall into one or more of the following categories:</p> <ul style="list-style-type: none"> • Self-interest. This threat occurs when the auditor could benefit directly or indirectly from an interest or relationship with the responsible party. Examples of circumstances that may create a self-interest threat include <ul style="list-style-type: none"> (a) an auditor entering into employment negotiations with the responsible party, (b) an auditor owning securities in publicly traded companies and/or financial institutions that benefit significantly from the responsible party's support or coverage, or (c) a spouse, partner or other family members of an auditor having a contract or some other financial arrangement with a responsible party that confers a benefit. • Advocacy. This threat occurs when an auditor promotes a position or opinion to the point that objectivity may be, or may be perceived to be, impaired. For example, a situation where the auditor is a member of an organization or a political party that promotes a particular viewpoint with the intent of influencing government policy related to the responsible party, and he/she uses the performance audit report to reflect those viewpoints. • Familiarity. This threat occurs when, by virtue of a close relationship with the responsible party, the auditor becomes too sympathetic to its interests. • Intimidation. This threat occurs when the auditor may be deterred from acting objectively and exercising professional skepticism by threats, actual or perceived, from the responsible party. <p>Recommendation: <i>Consider adding the following categories of threats: self-review, management participation, and structural threats.</i></p> <p>Suggested Revision: Threats may fall into one or more of the following categories:</p>

- Self-interest. This threat occurs when the auditor could benefit directly or indirectly from an interest or relationship with the responsible party. Examples of circumstances that may create a self-interest threat include:
 - (a) an auditor entering into employment negotiations with the responsible party,
 - (b) an auditor owning securities in publicly traded companies and/or financial institutions that benefit significantly from the responsible party's support or coverage, or
 - (c) a spouse, partner or other family members of an auditor having a contract or some other financial arrangement with a responsible party that confers a benefit.
- Advocacy. This threat occurs when an auditor promotes a position or opinion to the point that objectivity may be, or may be perceived to be, impaired. For example, a situation where the auditor is a member of an organization or a political party that promotes a particular viewpoint with the intent of influencing government policy related to the responsible party, and he/she uses the performance audit report to reflect those viewpoints.
- Familiarity. This threat occurs when, by virtue of a close relationship with the responsible party, the auditor becomes too sympathetic to its interests.
- Intimidation. This threat occurs when the auditor may be deterred from acting objectively and exercising professional skepticism by threats, actual or perceived, from the responsible party.
- Self-review. This threat occurs when an auditor or audit organization that has provided non-audit services will not appropriately evaluate the results of previous judgments made or services performed as a part of the non-audit services, when forming a judgment significant to an audit.
- Management participation. This threat occurs when an auditor's takes on the role of management or otherwise performing management functions on behalf of the entity undergoing an audit.
- Structural. This threat occurs when the risk that an audit organization's placement within a government will affect its ability to perform work objectively (e.g., an audit function that is subordinate to the department it has been assigned to audit).

PARAGRAPH	COMMENT
41	<p>Current Text: The scope of an audit is determined by answering the following questions:</p> <p><i>What?</i> What specific questions or hypotheses are to be examined? What kind of study, audit approach and audit design seem to be appropriate?</p> <p><i>Who?</i> Who are the key players involved and the auditee(s)?</p> <p><i>Where?</i> Are there limitations in the number of locations to be covered?</p> <p><i>When?</i> Are there limitations on the time frame to be covered?</p> <p>Recommendation: <i>The questions selected for determining the scope of the audit are important key questions, however, we recommend that this section also consider an assessment of the risks associated with various aspects of government programs.</i></p> <p>Suggested Revision: The scope of an audit is determined by answering the following questions:</p> <p><i>What?</i> What specific questions or hypotheses are to be examined? What key risks, if any, have been identified throughout the risk assessment that should be examined? <i>What kind of study, audit approach and audit design seem to be appropriate?</i></p> <p><i>Who?</i> Who are the key players involved and the auditee(s)?</p> <p><i>Where?</i> Are there limitations in the number of locations to be covered?</p> <p><i>When?</i> Are there limitations on the time frame to be covered?</p>

PARAGRAPH	COMMENT
46	<p>Current Text: Providing assurance is about making a judgment based on the audit findings. Thus, in performance audit the auditor does not provide assurance on information provided by the responsible party. Instead, what the auditor provides assurance on is that the information he/she as the auditor prepared for the intended user, is a fair, reliable and valid.</p> <p>Recommendation: <i>We suggest that the text in this paragraph should note that a key step in arriving at the audit conclusion is the auditor’s obligation to consider the integrity of the information provided by the responsible party.</i></p> <p><i>Also remove the letter “a” before the word “fair”.</i></p> <p>Suggested Revision: Providing assurance is about making a judgment based on the audit findings. Thus, in performance audit the auditor does not provide assurance on information provided by the responsible party, but verifies the integrity of the information given. Instead, what the auditor also provides assurance on is that the information he/she as the auditor prepared for the intended user, to ensure it is a fair, reliable and valid.</p>
52	<p>Current Text: The auditor shall set a clearly-defined audit objective(s) that relates to the principles of economy, efficiency and effectiveness.</p> <p>Recommendation: <i>The audit objective could also appropriately relate to whether the program was managed in accordance with legislative authority.</i></p> <p>Suggested Revision: The auditor shall set clearly-defined audit objective(s) that relates to alignment with legislative authority and the principles of economy, efficiency and effectiveness.</p>
61	<p>Current Text: All possible material causes are considered (only general goals are taken for granted), so proposals to amend laws, regulations, and structural design of government undertakings are not excluded, if is shown that the existing structure give rise to severe and verified problems.</p> <p>Recommendation: <i>Add the word “it” in this last sentence of the paragraph.</i></p> <p>Suggested Revision: All possible material causes are considered (only general goals are taken for granted), so proposals to amend laws, regulations, and structural design of government undertakings are not excluded, if it is shown that the existing structure give rise to severe and verified problems.</p>

PARAGRAPH	COMMENT
69	<p>Current Text: Audit criteria are established by the auditor. However, they must be discussed with the audited entities (and possibly with other stakeholders) in the planning phase. It is therefore important to clearly define the criteria that the audited entity will be assessed against.</p> <p>Recommendation: <i>Add a new sentence to this paragraph addressing the suitability of the audit criteria.</i></p> <p>Suggested Revision: Audit criteria are established by the auditor. However, they must be discussed with the audited entities (and possibly with other stakeholders) in the planning phase. It is therefore important to clearly define the criteria that the audited entity will be assessed against.</p> <p><i>In discussing the criteria with the audited entity, it is a good practice to obtain their written concurrence on the suitability of the audit criteria at the beginning of the audit.</i></p>
73	<p>Current Text: Dealing with audit risk is embedded in the whole process and methodology of performance audit. To manage audit risk, the auditor needs to:</p> <ul style="list-style-type: none"> • Identify the risks • Assess these risks • Develop and implement options to prevent and mitigate the risks • Monitor audit risk and mitigation strategies throughout the audit and make adjustments as needed to changing circumstances (i.e. apply a risk management approach when addressing audit risk). <p>Recommendation: <i>In the third bullet, consider replace the word “options” with “strategies”</i></p> <p>Suggested Revision: Dealing with audit risk is embedded in the whole process and methodology of performance audit. To manage audit risk, the auditor needs to:</p> <ul style="list-style-type: none"> • Identify the risks • Assess these risks • Develop and implement options strategies to prevent and mitigate the risks • Monitor audit risk and mitigation strategies throughout the audit and make adjustments as needed to changing circumstances (i.e. apply a risk management approach when addressing audit risk).

PARAGRAPH	COMMENT
96	<p>Current Text: Performance auditing is a team effort, since the issues involved are complex. Consequently, not all members need to possess every skill mentioned above. Furthermore, it may not always be possible for a SAI to recruit people who meet all the requirements. The required skills may therefore be developed once a person is in service, as long as candidates for appointment have clearly demonstrated the potential and attitude for the kind of work that performance auditing entails.</p> <p>Observation: <i>The word attitude, as used in the last line can easily be misinterpreted. We suggest replacing the verbiage with "...demonstrated the potential mindset and aptitude for the kind of work that performance auditing entails."</i></p> <p>Suggested Revision: Performance auditing is a team effort, since the issues involved are complex. Consequently, not all members need to possess every skill mentioned above. Furthermore, it may not always be possible for a SAI to recruit people who meet all the requirements. The required skills may therefore be developed once a person is in service, as long as candidates for appointment have clearly demonstrated the potential mindset and aptitude for the kind of work that performance auditing entails.</p>
129	<p>Current Text: A key aspect of any performance audit is the formal and informal consultation that takes place within audit teams, between audit teams, and with internal or external specialists. Consultation during the course of an assurance engagement is important, as it helps to promote quality and improves the application of professional judgment, as well as reduces the risk of error. Consultation is advantageous for reaching sound conclusions, for ensuring that the report is appropriate, fair and balanced and that it adds value.</p> <p>Recommendation: <i>Add a sentence regarding the importance of documenting the key consultations that took place.</i></p> <p>Suggested Revision: A key aspect of any performance audit is the formal and informal consultation that takes place within audit teams, between audit teams, and with internal or external specialists. Consultation during the course of an assurance engagement is important, as it helps to promote quality and improves the application of professional judgment, as well as reduces the risk of error. Consultation is advantageous for reaching sound conclusions, for ensuring that the report is appropriate, fair and balanced and that it adds value. It is important to document the key consultations that take place, the nature of the advice received, and the manner in which the audit team deals with the advice.</p>

PARAGRAPH	COMMENT
134	<p>Current Text: Those carrying out the independent QA could be senior members of the performance auditing unit (with no involvement in the conduct of the audit), or external figures such as senior academics from universities and business schools. Using external QA provides an opportunity for the SAI to demonstrate its accountability to stakeholders. Following QA reviews the SAI can circulate good examples of performance audit reports within the SAI for the benefit of all auditors. Where performance audit reports are found to need strengthening, a senior staff members' could work with the audit team concerned to identify lessons learned and possibilities for training, mentoring and coaching in specific areas.</p> <p>Recommendation: <i>Consider expanding the text to include a requirement that the QA individual should have appropriate audit experience, a sound knowledge of professional standards etc.</i></p> <p>Suggested Revision: Those carrying out the independent QA could be senior members of the performance auditing unit (with no involvement in the conduct of the audit), or external figures such as senior academics from universities and business schools. Years of audit experience and an in-depth understanding of professional standards will assist the independent QA in their role. Using external QA provides an opportunity for the SAI to demonstrate its accountability to stakeholders. Following QA reviews the SAI can circulate good examples of performance audit reports within the SAI for the benefit of all auditors. Where performance audit reports are found to need strengthening, a senior staff members' could work with the audit team concerned to identify lessons learned and possibilities for training, mentoring and coaching in specific areas.</p>

PARAGRAPH	COMMENT
11 - 14	<p>Current Text:</p> <p>Determining which audits will be carried out is part of the SAI’s strategic planning process. The SAI’s strategy documents the main direction of the SAI’s performance auditing. It covers several years and involves the selection of topics, programmes or themes to guide the audits. While the number of potential topics, programmes and themes is usually high the SAI’s capacity is usually limited. Consequently, audit selection decisions must be made with care.</p> <p>The SAI’s approach to selecting performance audit topics is a balancing act between the mandate of the SAI, the expectations of different stakeholders such as the relevant legislative committee (for example the Public Accounts or Budgetary Committee), and the strategy of the SAI. The strategic planning process would normally result in an audit programme for the SAI covering one or several years. Considering the dynamic of the context in the public sector and the changing priorities in public policies it is recommended to revise the audit programme annually.</p> <p>Some SAIs may choose topics based on strategic considerations regarding the type of performance audit and reforms within the public sector. One possible strategic choice is to decide to contribute to the modernization of the government administration and focus on auditing government programmes with significant effectiveness problems. Other SAIs may choose topics based on selection criteria, for example with regard to a specific type of performance audit. An alternative choice might be to simply focus on auditing individual government agencies and their performance towards meeting objectives and goals in relation to economy, efficiency and effectiveness.</p> <p>The audit programme for the SAI will serve as a basis for operational planning and resource allocation. The programme can list the audit areas and provide a brief account of the possible problems, questions, and other arguments supporting each one of them. The approach to selecting the audit topics that are to be included in the audit programme may vary. Some SAIs have a bottom-up approach, where the auditors participate in the selection process. Other SAIs have a top-down approach, where the management selects audit topics and the auditor does not take part in the selection process. Some SAIs have a mix of both approaches.</p> <p>Recommendation: <i>Consider incorporating the concept of risk into the discussion of the selection of audit topics.</i></p> <p>Suggested Revision:</p> <p>Determining which audits will be carried out is part of the SAI’s strategic planning process. The SAI’s strategy documents the main direction of the SAI’s performance auditing. It covers several years and involves the selection of topics, programmes or themes to guide the audits. While the number of potential topics, programmes and themes is usually high the SAI’s capacity is usually limited. Consequently, audit selection decisions must be made with care.</p>

The SAI's approach to selecting performance audit topics is a balancing act between the mandate of the SAI, the expectations of different stakeholders such as the relevant legislative committee (for example the Public Accounts or Budgetary Committee), and the strategy of the SAI. The strategic planning process would normally result in an audit programme for the SAI covering one or several years. Considering the dynamic of the context in the public sector and the changing priorities in public policies it is recommended to revise the audit programme annually.

Some SAIs may choose topics based on strategic considerations regarding the type of performance audit and reforms within the public sector. One possible strategic choice is to decide to contribute to the modernization of the government administration and focus on auditing government programmes with significant effectiveness problems. Other SAIs may choose topics based on selection criteria, for example with regard to a specific type of performance audit. An alternative choice might be to simply focus on auditing individual government agencies and their performance towards meeting objectives and goals in relation to economy, efficiency and effectiveness. **Another approach is to review and/or conduct an organizational-wide risk assessment for the government agencies that captures key risks that could be examined based on budgetary responsibilities, personnel and project needs, and other criteria.**

The audit programme for the SAI will serve as a basis for operational planning and resource allocation. The programme can list the audit areas and provide a brief account of the possible problems, questions, and other arguments supporting each one of them. The approach to selecting the audit topics that are to be included in the audit programme may vary. Some SAIs have a bottom-up approach, where the auditors participate in the selection process. Other SAIs have a top-down approach, where the management selects audit topics and the auditor does not take part in the selection process. Some SAIs have a mix of both approaches.

PARAGRAPH	COMMENT
22	<p>Current Text: The auditor shall plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.</p> <p>Recommendation: <i>Consider adding that the audit should be planned in accordance with all applicable and relevant standards and/or INTOSAI standards.</i></p> <p>Suggested Revision: The auditor shall plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner in accordance with all applicable and relevant standards and/or INTOSAI standards and in accordance with the principles of good project management.</p>
27 - 30	<p>Current Text: The purpose of a pre-study is to establish whether the conditions for an audit exist and if so, to produce an audit proposal with a work plan and a research design. A pre-study helps provide answers to questions like: Is this subject auditable and worth auditing? What information is needed and how should the audit be conducted? In addition, it provides background knowledge and information needed to understand the entity or entities to be audited (programme, function, service or organisation).</p> <p>A pre-study enables the auditor to produce an appropriate audit proposal and makes it easier to ensure that the performance audit coverage is comprehensive and realistic. The pre-study is normally carried out in a fairly short period. The pre-study of a specific topic can be a conducted in less than a month, while a broader approach to the audit can normally be conducted within 3 months. The time spent on the pre-study is not recommended to exceed the time used on the main-study. The outcome of the pre-study phase is the audit proposal.</p> <p>As part of the pre-study it is advisable to test some of the hypotheses that led to the topic selection. It is also important to check the availability of data. For example, if the audit objective is efficiency in public hospitals, it is advisable to visit a hospital and collect central material in the pre-study phase.</p> <p>The auditor is advised to consider the needs and interests of the primary intended users, including the responsible parties when designing the audit. The needs and interests of the users could influence the selection of audit objectives and the types of analysis conducted by the audit team. Ultimately, by taking into account the needs and interests of the primary intended users, the auditor can ensure that the audit report is useful and understandable.</p> <p>Recommendation: <i>Suggest replacing the terms “pre-study” and “main study” with “planning phase” and “examination phase,” respectively, as indicated above.</i></p>

	<p>Suggested Revision:</p> <p>The purpose of a pre-study planning phase is to establish whether the conditions for an audit exist and if so, to produce an audit proposal with a work plan and a research design. A pre-study planning phase helps provide answers to questions like: Is this subject auditable and worth auditing? What information is needed and how should the audit be conducted? In addition, it provides background knowledge and information needed to understand the entity or entities to be audited (programme, function, service or organisation).</p> <p>A pre-study planning phase enables the auditor to produce an appropriate audit proposal and makes it easier to ensure that the performance audit coverage is comprehensive and realistic. The pre-study planning phase is normally carried out in a fairly short period. The planning phase for pre-study of a specific topic can be conducted in less than a month, while a broader approach to the audit can normally be conducted within 3 months. The time spent on the planning phase pre-study is not recommended to exceed the time used on the main-study examination phase. The outcome of the pre-study planning phase phase is the audit proposal.</p> <p>As part of the pre-study planning phase, it is advisable to test some of the hypotheses that led to the topic selection. It is also important to check the availability of data. For example, if the audit objective is efficiency in public hospitals, it is advisable to visit a hospital and collect central material in the planning phase. pre-study phase.</p> <p>The auditor is advised to consider the needs and interests of the primary intended users, including the responsible parties when designing the audit. The needs and interests of the users could influence the selection of audit objectives and the types of analysis conducted by the audit team. Ultimately, by taking into account the needs and interests of the primary intended users, the auditor can ensure that the audit report is useful and understandable.</p>
<p>34</p>	<p>Current Text:</p> <p>The auditor shall set a clearly defined audit objective(s) that relates to the principles of economy, efficiency or effectiveness (see ISSAI 3000/37). The objective(s) determines the approach and the design of the audit.</p> <p>Recommendation:</p> <p><i>Consider adding that the audit objective could also be defined in terms of compliance with legislative authority.</i></p> <p>Suggested Revision:</p> <p>The auditor shall set a clearly defined audit objective(s) that relates to compliance with legislative authority and the principles of economy, efficiency or effectiveness (see ISSAI 3000/37). The objective(s) determines the approach and the design of the audit.</p>

PARAGRAPH	COMMENT
44	<p>Current Text: It is good practice to discuss the audit scope with the audited entities at the earliest opportunity. In some cases, it may also prove useful to explicitly clarify what is not going to be audited in the actual study (what is not intended to be covered). This may contribute to reduce misconceptions or false expectations among stakeholders.</p> <p>Recommendation: <i>Consider adding that it is also a good practice to provide the audited entity with a written document that sets out the audit objectives, scope and approach.</i></p> <p>Suggested Revision: It is good practice to discuss and provide in writing the audit scope, objectives and approach with the audited entities at the earliest opportunity. In some cases, it may also prove useful to explicitly clarify what is not going to be audited in the actual study (what is not intended to be covered). This may contribute to reduce misconceptions or false expectations among stakeholders.</p>
57	<p>Current Text: According to ISSAI 3000/51, the auditor shall, as part of planning or conducting the audit, discuss the audit criteria with the audited entities and possibly with the relevant stakeholders. Disagreement about criteria can then be identified, discussed, and, perhaps, resolved at an early stage. It is especially the case when criteria are developed specifically for the engagement or they are not self-evident and are capable of dispute by audited entity management.</p> <p>Recommendation: <i>Consider adding that, in addition to discussing the audit criteria with the audited entity, it is a good practice to ask the audited entity to confirm in writing, at the inception of the audit, the relevance of the audit criteria.</i></p> <p>Suggested Revision: According to ISSAI 3000/51, the auditor shall, as part of planning or conducting the audit, discuss the audit criteria with the audited entities and possibly with the relevant stakeholders. It is a good practice for the auditor to also consider receiving from the audited entity, in writing, their acknowledgement of the audit criteria. Disagreement about criteria can then be identified, discussed, and, perhaps, resolved at an early stage. It is especially the case when criteria are developed specifically for the engagement or they are not self-evident and are capable of dispute by audited entity management.</p>

PARAGRAPH	COMMENT
59	<p>Current Text: Listed below is an example on the structure in a performance audit design where the concepts presented above are used.</p> <p><i>An example of the structure of a performance audit design</i></p> <p>Audit topic:</p> <ul style="list-style-type: none"> • The active labor market policy <p>Audit objective:</p> <ul style="list-style-type: none"> • Does the Ministry of Employment deliver an effective employment programme? <p>Audit Scope:</p> <ul style="list-style-type: none"> • There are 18 employment centers across the country, the audit covers 1 in each region, which means 5 employment centers • Unemployed persons can be divided into several different groups. The audit covers the group of unemployed insured persons. • The audit covers the period from 2013 to 2015 <p>Audit questions (and sub-questions):</p> <ul style="list-style-type: none"> • Have employment activities provided by external consultants (for example training courses on how to prepare a curriculum vitae) been acquired at the lowest possible cost, while taking quality into account? • Have the employment centers increased the number of unemployed persons attaining training courses (output) without increasing the resources such as staff and office space (input) from 2013 to 2015? • Have employment centers achieved the expected outcome of the program, as set by the legislature (for example accessing a new employment)? <p>Recommendation: <i>Important elements of the structure of an audit design includes audit topic, objective, scope, questions and criteria. Consider expanding the example of the structure of a performance audit design to include examples of the audit criteria.</i></p>