



Compliance Audit Sub Committee (CAS) NEWSLETTER 2018



Editorial

We are pleased to bring out the Newsletter of Compliance Audit Subcommittee (CAS). The essence of this newsletter is to share professional experience and exchange information which would enrich member SAIs. We consider the newsletter as a window to the activities of CAS and a forum to share the excellent work being done by our member SAIs.

The 15th meeting of the Compliance Audit Subcommittee was held at Luxembourg on 9-10 October 2018. The meeting discussed the developments in Project 2.2 of Strategic Development Plan (SDP) of INTOSAI Framework for Professional Pronouncement (IFPP) on 'Guidance on authorities to be considered while examining regularity and propriety aspects in compliance audit' and Project 2.3 on 'Using ISSAIs in accordance with the SAI's mandate and carrying out combined audits'. SAI Portugal selected as the host for the 16th meeting in 2019 which is now scheduled from 27-28 May 2019 at Lisbon. A detailed article on 15th CAS meeting has been incorporated in the Newsletter.

The Newsletter is a prominent medium of dissemination of news/articles on audit particularly to compliance audit among the INTOSAI community. This edition of the Newsletter also contains articles contributed by Supreme Audit Institutions of Azerbaijan, Brazil and Mexico.

I look forward to active cooperation from all the members in making this Newsletter an efficient medium of communication.

Project 2.2 of Strategic Development Plan (SDP) of INTOSAI Framework of Professional Pronouncements (IFPP)

Presently exposure draft for the project 2.2 on “Provide guidance on compliance auditing” of the Strategic Development Plan (SDP) of INTOSAI Framework of Professional Pronouncements (IFPP) is under development. The exposure draft was submitted to FIPP (Forum for INTOSAI Professional Pronouncements), via Professional Standards Committee (PSC) Chair, for approval during the 10th FIPP meeting held in March 2019. FIPP considered that there was considerable improvement compared to the last version presented. It considered, however, that further changes need to be made, some of them in the structure of the document. Revised version of the exposure draft will be submitted to FIPP members for conditional approval, by written procedure.

Project 2.3 of Strategic Development Plan (SDP) of INTOSAI Framework of Professional Pronouncements (IFPP)

Project 2.3 of Strategic Development Plan (SDP) of INTOSAI Framework of Professional Pronouncements (IFPP) on “Using ISSAIs in accordance with the SAI’s mandate and carrying out combined audits” is also under progress. Based on the recommendation of FIPP a need assessment survey was conducted. The main objective of the survey was to assess the need for guidance. The Survey was elaborated by the project team leader and includes observations collected from the project team members. Out of the 194 members of INTOSAI, 43 SAIs responded to the survey. The important findings of the survey are given below:

- 32 SAIs implemented or are in the process to implement ISSAIs and the remaining SAIs issued national standards based on ISSAIs/ISAs irrespective of what mentioned in the SAI’s legal mandate regarding auditing standards.
- In 36 SAIs the type of audits carried out is determined by the legal mandate of the SAI.

- There is a very large diversity among the SAIs in their way of combining audits and in their choice of standards in the combined audits.
- A few SAIs need guidance regarding the application of standards ISSAI 1250 or ISSAI 4000 in different audits when assessing compliance with laws and regulations, as after the withdrawal of ISSAI 4100 and 4200 there is lack of detailed guidance on the various processes of compliance audit.

Based on the findings of the survey it was concluded that the guidance is needed:

- on combined financial and compliance audits which is aligned with ISSAIs 100, 200 and 400.
- on combined compliance and performance audits which is aligned with ISSAIs 100, 300 and 400.
- on combined financial and performance audits which is aligned with ISSAIs 100, 200 and 300.
- on the consistency of different ISSAIs, such as ISSAI 1240 (The auditor's responsibility relating to fraud in an audit of financial statements) with ISSAI 4000,
- on the applicable standards for SAIs in different circumstances, such as: SAIs which have to consider compliance with laws and regulations in different audits (ISSAI 1250 and ISSAI 4000), or SAIs which, as a result of a statutory or regulatory requirement, have to report on the reliability of performance data produced by management.

During November 2018 meeting FIPP had recommended to submit a revised project proposal based on the outcomes of the need assessment survey and to draw the attention on challenges faced by the SAI in conducting such combined audits. The revised project proposal and the outline are expected to be submitted to the next FIPP meeting to be held in June 2019.

15th meeting of the Compliance Audit Subcommittee (CAS) held at Luxembourg on 9-10 October 2018

The 15th meeting of the Compliance Audit Subcommittee under the Professional Standards Committee of INTOSAI was held at Luxembourg on 9-10 October 2018. The

meeting was attended by 17 SAIs out of 20 member SAIs of CAS, apart from IDI and AFROSAI (E) who are observers.



The members deliberated on the status of two ongoing projects under the Strategic Development Plan of INTOSAI Framework for Professional Pronouncement (IFPP) and revision of Terms of Reference of CAS. The meeting also discussed about new projects to be considered for the Strategic Development Plan of INTOSAI Framework for Professional Pronouncement (IFPP). There were also presentations by member SAIs on compliance audit of public procurement, principles adopted in development of a risk analysis framework for compliance audit, annual audit report of the European Union budget for 2017, audit of contracting arrangements of public services, activities of IDI with regard to compliance audit and progress of the works of the Forum of Jurisdictional SAIs.

SAI Portugal selected as the host for the 16th meeting in 2019 which is now scheduled from 27-28 May 2019 at Lisbon.

Development of new Strategic Development Plan of INTOSAI Framework for Professional Pronouncement (IFPP) 2020-2025

Development of the new SDP for the period 2020-2025 is under progress. PSC had circulated a number of initiatives to be included in the new SDP and requested subcommittees to indicate level of priorities among the proposed initiatives. Based on the feedback received from CAS members who responded, the following priorities were suggested to PSC Secretariat for their consideration:

Level of priority	Provisional title of the initiative
Highest priority	Develop project proposal on revision of <i>ISSAI 140 Quality Control for SAIs</i>
Second priority	Develop project proposal on improved pronouncements on Fraud and Corruption Prevention and Detection.
Third priority	Generating content for future pronouncements on compliance and performance auditing as well as guidance on SAI financial audits
Fourth priority	New emerging audit technologies
Fifth priority	Drafting conventions and consolidated conceptual framework for the ISSAIs

Further, it was also communicated to PSC that new SDP should be based on availability of resources in INTOSAI and hence priorities need not be a criteria for selection of projects for implementation. We had also indicated that many projects are capable of running in parallel and hence prioritization was not necessary.

Discussions will be held during the upcoming 16th CAS meeting on the CAS activities to be taken up under the new SDP subject to receipt of the further instructions from PSC Secretariat.

Translations and Interpretation of Pronouncements

At the meeting of the PSC-Steering Committee in 2018, the PSC Secretariat has been charged with preparing a proposal for the upcoming PSC-SC meeting addressing the theory and practice of translating and interpreting the pronouncements, identifying alternative ways to organise the process and making recommendations for the future.

In this connection PSC Secretariat has developed discussion paper each on Interpreting the ISSAIs and Translating the ISSAIs.

Interpreting the ISSAIs : This discussion paper on Interpreting the ISSAIs mentioned about the need for interpretation in respect of:

- uncertainty about whether the requirement of a standard applies to a given scenario, particularly developments which were not foreseen when the standard was produced;
- how a particular requirement of a standard should be applied, notably when there may be an apparent choice of different courses of action; and
- actual or potential misunderstandings due to a lack of clarity in the way the standard is drafted.

The PSC has indicated that it proposes to recommend to PSC steering committee that PSC will continue to monitor the situation (notably the nature and volume of requests to be received) and assess whether specific arrangements for interpretation of ISSAIs are required. In addition, the PSC will continue to explore flexible and dynamic alternative ways to make available to auditors information on the implementation of INTOSAI standards, and encourage SAIs to identify issues that would need further clarification through a feedback mechanism into the standard setting process. PSC also proposes continued engagement with the IDI on the development of handbooks on the different types of audit that may go some way in meeting this need.

Translating the ISSAIs : PSC has recognised that the rules and policies governing the translation of INTOSAI pronouncements require updating and improvement, and to take into account the work currently being undertaken on drafting conventions.

Given time and financial constraints, PSC is of the view that the most effective way forward may be to make use of existing INTOSAI resources by calling for volunteers to establish pools of SAIs working in each INTOSAI language group. This may include SAIs with formal translation functions and sufficient capacity, as well as those who have audit practitioners willing and able to contribute. A coordinator would be nominated for each language. They would receive translation requests for new or improved pronouncements, and have the responsibility to match needs with resources for both translation and revision.

At the same time, PSC has stated that INTOSAI should continue to monitor the improvement in machine translation. In the future, this could allow the translations to

be provided on demand, and would have the advantage that they can be provided instantly, and need not be limited to the five current working languages.

In the meantime, PSC suggested that ad hoc translations into non-official INTOSAI languages are to be encouraged and translation provided to the PSC secretariat which can be made available to the INTOSAI community via the ISSAI website, accompanied by suitable caveats.

10th Meeting of Forum for INTOSAI Professional Pronouncement (FIPP) held at Bhutan

The FIPP conducted its 10th meeting in Paro, Bhutan from 4-8 March 2019. The key items of discussion during the meeting were editorial changes to be made to a group of pronouncements, current SDP projects and next SDP preparation.

Chamber of Accounts of the Republic of Azerbaijan: Towards Compliance Audit

Mr. Jafar Hasanov, Member of the Chamber of Accounts, Republic of Azerbaijan

New law of the Republic of Azerbaijan “on the Chamber of Accounts” was enacted on September, 2018 and the old law has been repealed since that date.

Unlike the previous law the functions of the Chamber of Accounts are expanded in the new law. The functions include rendering opinion on the projects of state budget and extra budgetary state funds and annual report on their execution as well as exercising state financial control. State financial control covers the following (*Article 7 of the Law*):

-Legitimate, purposeful, effective and proper use of funds allocated from state budget and budgets of extra budgetary state funds (institutions);

- administration of state property;
- public procurements;
- -use of funds allocated to state investments, programs and projects;
- -proper and effective use of grants and financial (technical) support;
- use of funds allocated to environmental protection, prevention of natural disasters, and elimination of the consequences;
- Internal and external public debt management;
- Management of funds in the treasury single account at the end of budget year.

Rights to discharge the above mentioned obligations (functions) are stipulated in the Law: (*Article 8 of the Law*)

- To get information and report on the executions of state budget and budgets of extra budgetary state funds, as well as financial, accounting, taxation, and statistics accounting reports and necessary documents in hard and (or) in soft copies, to have access to e-information systems of public authorities within the public financial control objectives;

- To get information in hard and (or) soft copies (including information considered as state secrets) from state and municipal authorities, legal entities regardless their property and organizational-legal structure and individuals engaged in entrepreneurial activity without establishing a legal entity through sending inquiries;
- To involve the representatives of the public authorities, independent auditors, audit organizations, experts and specialists in the financial control activities by mutual consent etc.

The Chamber of Accounts exercises financial control according to the Law of the Republic of Azerbaijan “on Chamber of Accounts” and , methodological documents adopted by the Chamber of Accounts on the basis of the international standards of the Supreme Audit Institutions (ISSAI) (*Article 2 of the Law*).

Guidance documents are prepared according to international principles, standards and guidelines and come into force once approved by the Board of the Chamber of Accounts (*Article 9 of the Law*).

The Board of the Chamber of Accounts comprises of members of the Chamber of Accounts (Chairman, Deputy Chairman of the Chamber of Accounts and 5 Auditors) appointed by the majority votes of Milli Majlis (Parliament) of the Republic of Azerbaijan for 7 years upon the nomination by the Chairman of Milli Majlis. (*Articles 11 and 18 of the Law*)

The Chamber of Accounts conducts its activity on the basis of annual work plan. The Work Plan of the Chamber of Accounts is drawn up on the basis of the proposals by the members of the Chamber of Accounts and executed after approval by the Board. During the execution of work plan, amendments may be made on the basis of inquiries of Milli Majlis (Parliament) of the Republic of Azerbaijan and proposals by members of the Chamber of Accounts (*Article 20 of the Law*).

The auditing activity of the Chamber of Accounts includes the following types of audit:

- a) financial audit (determining compliance, accuracy, integrity and completeness of financial operations and statements)
- b) performance audit (determining economy, efficiency and effectiveness of program, project, activity, operation, management and information systems);
- c) Compliance audit (determining status of following up the requirements of valid legal acts by the auditees)

To provide legal and regulatory basis to the activities of the Chamber of Accounts appropriate Rules were prepared and approved. The role of the Rules is common framework and depending on the type of audit is provided with explanatory guidance. In order to conduct compliance audit, guidance was prepared and presented to the

member and colleagues (specialists) of the Chamber to render their comments and recommendations. The Guidance was prepared according to the requirements of the Law of the Republic of Azerbaijan on “Chamber of Accounts”, the general principles of International Standards of Supreme Audit Institutions ISSAI 1 (*The Lima Declaration*), ISSAI 100

(*Fundamental Principles of Public-sector Auditing*), ISSAI 400 (*Fundamental Principles of Compliance Auditing*), 4000 (*Overall introduction to recommendations on compliance auditing*), 4100 (*For Audits Performed Separately from the Audit of Financial Statements*) and International Standards on Auditing.

Conducting compliance audit in the following stages is stipulated in the Guidance:

a) Preparation and planning of audit:

According to the legislation, preparation for compliance auditing begins with the drafting of Work plan of the Chamber of Accounts for next year. Planning consists of following activities:

- Planning the audit (obtaining necessary information on the activity of the entity);
- Determining objective and scope of audit ;
- Development of program of compliance audit;
- Preparation of Working Plan. (Article 21 of the Law)

Guidance stipulates that defining of subject matter and audit criteria is one of the first steps carried out in planning and conducting compliance audit and assurance level and materiality are implemented in all levels of compliance auditing.

b) Conducting audit and evidence gathering:

Following points are important in executing the audit:

- Relevance of operations, information, programs, projects, procurements, public orders and other activities of the auditee with legislation, implemented regulations and agreements (including budget legislation) ,
- General principles of necessary financial management in public funds management and relevance of behaviour of people responsible for management with these principles.
- Ensurance of the identification of materiality through applying professional judgement, obtaining and detailed research of evidence on the issues of which factors can influence the decisions of the Auditor (member of Chamber) is requested.

c) Formalization of audit results

Formalization of results includes the following parts:

- i) Documents learned and applied criteria

The auditor should review evidence gathered on information on subject matter as well as written replies from officials of the audited entity according to relevant criteria. To this end, all documents are reviewed, overall position of the audit team and evidences reflected in primary documents, comments and suggestions to the report by the audited entity, initial findings of the audit team are analysed and criteria are identified.

ii) Evidence evaluation

Data (evidence) gathered as a result of audits and other activities are evaluated according to defined criteria (laws, regulations, etc.)

Evidence gathered on information of audit subject matter and written replies are compared according to relevant criteria.

Amount and importance of quality and quantity measures covering significant non compliance, essence of non compliance, reason of non compliance, parameters that cause the non compliance and other factors.

iii) Findings

In this chapter details of violations, grounding evidence, and specific articles, items of normative legal acts are stipulated.

iv) Opinion

This chapter stipulates assessment by the Auditor considering comment and suggestions of the audited entity to the detected defects and non compliances and result achieved.

According to international experience opinion formats may be modified and unmodified. Modified opinions include four types of opinion including disclaimer.

v) Recommendations

According to Article 27.6 of the Law of the Republic of Azerbaijan on Chamber of Accounts and recommendations of International Organization of Supreme Audit Institutions in order to eliminate non compliance and shortcomings, for relevant staff to understand their own responsibilities, to prevent and at least to restrict such cases in future proposals and recommendations are made.

The report signed by the member of the Chamber is submitted to the Board to be discussed and sent to stakeholders through relevant communication procedures and tools.

In our opinion, and according to above mentioned it is clear that, the information and findings the Chamber of Accounts of the Republic of Azerbaijan will get from conducting performance audit since 2019 will serve the quality of decisions made by Milli Majlis and provision the public with information.

A RISK-BASED APPROACH FOR COMPLIANCE AUDIT – A CASE STUDY

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This article presents a case study based on a compliance audit carried out as a pilot by the Federal Court of Accounts (TCU), the SAI of Brazil, using a risk-based approach, according to the principles of ISSAI 100, ISSAI 400 and the requirements of ISSAI 4000. The audit was performed in 2017 to evaluate the regularity of the certification process of private benefit entities in the health sector, which entitles them to partially compensate the costs borne with delivery of services to the population through tax waiver from the Brazilian State.

OVERVIEW OF THE AUDIT OBJECT

Tax waivers in the health sector have the objective of compensating expenditures incurred on health services by the population and by the private not for profit sector. The majority of these resources are used to reimburse the costs paid by citizens, to compensate for the costs of services delivered by philanthropic entities, and to grant incentives for the reduction of the price of medication.

In 2017, estimates for tax waivers in the health sector were:

Type of expenditure incurred	Amount in R\$ billion	%
Reimbursement of expenditures	12.5	35
Compensation of costs	6.5	18
Concession of incentives	5.1	15
Others	11.5	32
Total	35.6	100

Source: Federal Internal Revenue Secretariat – Brazil

The audit focused on the compliance of the certification process of philanthropic entities in the health sector. To obtain tax benefits to compensate their costs, the entities need to qualify with the Ministry of Health through a process called Certification of Benefit Entities. The certificate is granted to private entities that are not for profit and deliver health services under the terms of the legislation. In general, such entities are hospitals, which account for around half of the procedures of medium and high complexity offered by the Brazilian Unified Health System (SUS).

The audit covered the period from 2010 to 2017. The objective was to assess whether the Ministry of Health verified compliance with the existing requirements for

concession and renewal of the certificates and if it supervised the maintenance of certification requirements by the entities. In this period, the Ministry of Health received 2,940 requests for concession and renewal of certificates and supervised 898 certificates that had already been granted.

METHOD

With the progressive adoption of the INTOSAI audit standards, TCU intends to use the risk-based approach in a significant part of its audits. The advantage of this approach is that it enables focusing the work on the more relevant aspects considering the deficiencies, deviations or material misstatements that can occur, based on the results of the risk assessment.

The audit was conducted to provide reasonable assurance, using the risk-based approach, according to the principles and normative requirements of ISSAIs 400 and 4000. The acceptable audit risk was set at 5%.

In the process of obtaining understanding of the audit object, we used as sources of information the legislation applicable to certification, the bylaws of the Ministry of Health, previous works carried out by internal audit and by TCU itself, interviews with officials in charge, academic articles, and other information available. The work processes of concession and supervision were mapped and validated with the managers and technical staff in charge.

The SWOT analysis contributed to obtain greater understanding regarding the internal and external factors that, in some way, could affect the audit object. It also helped identify risk factors relevant for the audit object. Thus, the SWOT Matrix sought to highlight aspects that were important for the achievement of the objectives, not only from the perspective of work processes themselves, but also of the issues that affect the whole certification process.

In order to understand the internal control of the area which is subject matter of certification, the audit team applied a questionnaire to assess internal controls (QACI). The questionnaire was elaborated based on the components, principles, and focal points of the model Internal Control – Integrated Framework (COSO, 2013).

With this input, we began the activities related to identification of risks that could compromise the achievement of the objectives of the two main work processes. In addition to the risk events, the audit identified, for each one, its causes and consequences.

Once the risks were identified, we assessed them, estimating, in first place, the inherent risk (IR), based on allotting a qualitative concept regarding the probability and impact on the objectives, according to the following risk matrix:

Risk Matrix

IMPACT	Very High 1,0	0,10 MR	0,20 MR	0,50 HR	0,80 ER	1,00 ER
	High 0,8	0,08 LR	0,16 MR	0,40 HR	0,64 HR	0,80 ER
	Medium 0,5	0,05 LR	0,10 MR	0,25 MR	0,40 HR	0,50 HR
	Low 0,2	0,02 LR	0,04 LR	0,10 MR	0,16 MR	0,20 MR
	Very Low 0,1	0,01 LR	0,02 LR	0,05 LR	0,08 LR	0,10 MR
		Very Low 0,1	Low 0,2	Médi um 0,5	High 0,8	Very High 1,0
LIKELIHOOD						

Source: Risk Management Audit Guide (TCU, 2017).

Legend: LR – Low Risk; MR – Medium Risk; HR – High Risk; ER – Extreme Risk

Once the level of inherent risks is determined, the team gave priority to the most significant ones, aiming at identifying the administration's answers (internal controls) implemented to prevent/reduce the probability of occurrence and/or impact on the objectives.

After the key controls were identified, the engagement team evaluated their design and implementation with the purpose of determining preliminarily the control risk (CR).

By evaluating inherent risks (IR) and control risks (CR), we determined the residual risk (RR), which is the one that remains after mitigation through internal controls, using the following formula, proposed by the model of the American Institute of CPAs (AICPA, 2007):

$$\mathbf{RR = RI \times RC}$$

The whole process of assessment of risks and controls is documented in the Risk Assessment Matrix. This is a working paper in which, for every risk, it is possible to decide the approach of audit tests: if exclusively substantive or if an approach that combines tests of controls and substantive tests. In this audit, the approach was a combined one.

For the audit design, the engagement team developed a Planning Matrix, with the audit questions and further audit procedures to respond to assessed risk at the transactions level.

We then went on to elaborate the sampling plans for the further audit procedures to be applied when carrying out the tests of control and substantive tests, using the following initial parameters: level of confidence 95% (sampling risk 5%); tolerable rate of deviation 5%; and expected population standard deviation 1%. The technique used was the attribute sampling.

After calculating the size of the sample, based on these initial parameters, we applied tests of controls to the first thirty sampling elements (certification processes), and no deviation was found. Thus, it was possible for the team to reduce the expected deviation to zero and, consequently, the size of the sample initially calculated was reduced, resulting in a more efficient audit.

The sampling plan comprised the interest attributes related to the internal controls and their objectives that were tested during the execution stage of the audit. For the concession/renewal process, we defined 23 interest attributes. For the supervision process, 15. Two additional interest attributes were defined for the substantive tests.

The results of the operating effectiveness tests of the controls were tabulated and then documented in working papers. These papers document the audit evidences that the relevant controls were effectively in operation (concession process, supervision process). The results of the substantive tests for the two processes were document in the same way.

The tests of controls consisted in documental inspection to verify the existence of documents that proved compliance of the processes procedures with the legal requirements, as well as an analysis of the inspection procedures carried out by the Ministry of Health regarding compliance of the entities with these requirements.

The results of the application of these tests showed that at the 5% risk the current deviation rate did not exceed the tolerable deviation rate, allowing reasonable assurance that at least 95% of the entities certified and/or supervised by the Ministry of Health complied with the legal requirements, from 2010 to 2017.

The substantive tests consisted in recalculation of minimum percentages of services delivered to SUS by certified entities, legally required, and confirming registration of such percentages in the health information systems of the Ministry.

AUDIT CONCLUSIONS

We conclude for the regularity of the process of benefit entities that operate in the area of health, once the results of the audit evidenced that at least 95% of the entities certified and/or supervised by the Ministry of Health, in the period from 2010 to 2017, with the required legal requirements, in all material respects.

TCU concluded about the audit through Decision 683/2018–TCU-P, whose rapporteur was Minister Augusto Nardes. The decision includes recommendations to the Ministry of Health to reduce the number of certificates granted and not yet supervised and improve the supervision model of the Benefit Entities Certificates, based on risk, taking

into account parameters such as materiality of the tax benefit or the amount paid to entities for delivery of services to SUS.

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The National Auditing System in Mexico and the Implementation of Compliance Audit Standards

Within the framework of the Supreme Audit Institution (SAI) of Mexico's activities, with the aim of examining, linking, articulating and making the government management and the use of public resources more transparent, as a way to drastically improve the accountability at the national level, the National Auditing System (SNF, for its acronym in Spanish) was established in Mexico, in February 17, 2010.

The SNF is composed by the SAI of Mexico and the Ministry of Public Administration, which coordinate the 32 State Audit Institutions and the 32 State Comptroller Offices responsible for internal control and audit in the country, respectively. Up to now, they have worked for almost nine years, through which the different parties have worked on coordination actions in the auditing field.

Since 2015, when the National Anti-corruption System (SNA, for its acronym in Spanish) was created, the SNF was recognized as a consolidated and autonomous sub-system that works as the SNA's fundamental pillar. This way, actions taken by the State to prevent and sanction corruption will not be performed in a segregated manner, but as a comprehensive system articulated to prevent and sanction administrative responsibilities and corrupt acts, being that they derive from wrongful exercise of public resources or from non-compliance of public responsibilities not necessarily linked to the national treasure.

According to the General Act of the National Anti-corruption System (LGSNA, for its acronym in Spanish), the SNF is the set of interagency mechanisms of coordination among bodies responsible for the governmental auditing tasks in the different branches, with the goal of maximizing the audit coverage and impact in Mexico, based on a strategic vision, the implementation of similar professional standards, the capacities building and the effective information exchange, without duplicities or omissions.¹

In terms of professional standards implementation, it is worth noting that with the aim of providing the SNF's members and stakeholders with a professional and high-quality reference framework, one of the seven SNF's Working Groups, the Working Group on Professional Standards (GTNP, for its acronym in Spanish), is the main responsible body for homologating processes, procedures, techniques, criteria, strategies,

¹ General Act of the National Anti-corruption System (LGSNA, for its acronym in Spanish), Article 3, Fraction XII. Available only in Spanish at <http://www.diputados.gob.mx/LeyesBiblio/pdf/LGSNA.pdf>.

programs and professional standards in the auditing field². Thus, through this national Working Group's efforts, the SAI of Mexico adopted and adapted levels 1 and 2 of the ISSAI Framework in 2013, while it did it for the level 3 ISSAIs in 2014, which included ISSAI 400: "Fundamental Principles of Compliance Auditing". Since the adaptation of such ISSAIs to the national context, those three levels of professional standards comprise the current national framework of the *SNF's* Professional Standards (*NPASNF*, for its acronym in Spanish).

In this sense and in terms of the compliance auditing activities, besides implementing ISSAI 400 (*NPASNF* 400) in the Mexican audit work, the SAI of Mexico also implements ISSAI 4000: "Compliance Audit Standard". This standard, as well as *NPASNF* from levels 2 and 3 are considered in the institutional "Handbook for audit report drafting", which guarantees that the SAI of Mexico's auditors work in line with the ISSAIs.

² General Act of the National Anti-corruption System (*LGSNA*, for its acronym in Spanish), Article 42. Available only in Spanish at <http://www.diputados.gob.mx/LeyesBiblio/pdf/LGSNA.pdf>.