

Summary of Discussions

1. The 18th Annual Meeting of the INTOSAI Compliance Audit Sub-Committee (CAS) was held on 28 October 2021 from 4:30 pm to 6:15 pm (IST). The meeting was hosted by the Supreme Audit Institution (SAI) of India, Chair of CAS. Representatives from 20 member SAIs, AFROSAI-E and SAI Thailand as observers and the INTOSAI Development Initiative participated in the meeting. The meeting was inaugurated by Mr. Girish Chandra Murmu, Comptroller & Auditor General of India, in his capacity as chair of CAS.
2. Mr. Murmu welcomed all participants to the meeting. He pointed out that the impact of compliance audit goes beyond plugging leakages in Government expenditure and saving funds to improving public accountability and transparency. Compliance to rules and regulations, he said, is a necessary prerequisite for strong and stable institutions and efficient and effective implementation of policies and programmes and ensures accountability in governance. He touched upon the efforts of Supreme Audit Institutions in conducting compliance audits of COVID-19 related initiatives which have helped, on the one hand, their respective governments in streamlining and improving their pandemic management strategies and making mid-term adjustments, and on the other, the SAIs themselves in reassessing their strategies and methods in conducting audits under changed circumstances. Referring to the increased dependence on digital modes of auditing and communication, he suggested that in some ways the procedures for conducting audits have changed for the better. He appreciated the resilience shown by SAIs as also the efforts of IDI to support the SAI community through their timely initiatives.

Mr. Murmu proposed that the 3I approach – *innovating, institutionalizing and integrating* – may be an ideal strategy to address the major challenge of capacity building. Innovating through the adoption of digital technology, for example - employing the possibilities of e-learning for expanding technical expertise among auditors, institutionalizing the framework of standards and guidelines, and integrating compliance audits to the broader auditing process. He thanked the participants for their continued cooperation and immense contribution to the activities of CAS and expressed his confidence that this global engagement will effectively improve governance across the world. He ended his speech with a quote by Jonas Salk, that the ‘reward of work well done is the opportunity to do more’.

3. Ms. Meenakshi Sharma, Acting Chair, CAS, presented the report on the activities of CAS during the period after the previous meeting. **Guidance on Authorities and Criteria to be considered for examining the regularity and propriety aspects in compliance audit (GUID 4900)**, led by CAS was approved during the 74th Governing Board Meeting in 2020. SAI Norway led the project on behalf of CAS. GUID 4900, translated in English, French, Spanish, German, and Arabic, has been uploaded at www.issai.org. She outlined the status of the project on ‘using ISSAIs in accordance with SAI’s mandate in conducting combined audits’ and two projects led by the Sub-committee on Internal Controls (ICS) viz., GUID 5150: ‘Consolidated and Improved Guidance on Understanding the role of Internal Control in Audit’ and the ‘Guidance on using the work of internal auditors’ in which CAS is collaborating. CAS has also been collaborating with the Professional Standards Committee’s Component 1 exercise. SAI Norway, in collaboration with the SAIs of Finland, Netherlands and the UK has brought out a white paper on ‘Auditing Machine Learning Algorithms’. Ms. Sharma hoped that this document will be of immense assistance to the SAI community in auditing processes

where artificial intelligence has played a part in decision making. She also touched upon the projects where CAS was in collaboration with the IDI.

4. Ms. Archana Shirsat, representing the IDI, made a presentation on the IDI initiatives related to compliance auditing. IDI is presently focused not only on supporting high quality compliance audits but also on high impact compliance audits. The presentation covered the topics of Transparency, Accountability and Inclusiveness (TAI) audit initiative, the Professional Education for SAI Auditors pilot (PESA-P) project, the IDI Global Public Goods on Compliance Audits and how IDI's work on compliance audits connects with several other of their projects. The TAI Audit initiative was designed to help SAIs to conduct agile audits which are ISSAI compliant and which examine the transparency, accountability and inclusiveness aspects of COVID-19 responses by Governments. This program specifically addresses the issues of emergency public procurement and management of donations, socio-economic packages introduced by governments as part of their pandemic response strategy and the roll out of COVID-19 vaccines. The audits should be of high quality in terms of ISSAI compliance, have a substantial impact and need to be done with a wide stakeholder engagement. 46 SAIs are currently participating in this initiative. IDI's support program involved an initial needs assessment, drawing up and publishing a practical guide and question bank on how to conduct TAI audits as also mediation with stakeholders with a view to maximize impact.

IDI's PESA pilot program which will also be a pilot program for INTOSAI's Competency Framework of Public Sector Audit, has the participation of 87 countries. The PESA compliance audit program offers a self-learning digital education course consisting about 70 hours of learning with 7 papers. This will be supported by many social learning activities involving social media platforms, webinars, tutorials and coaching sessions. Several additional resources are also made available on the PESA web page. There is also an initial professional development portfolio to set the stage for the program.

As part of the Global Public Goods on Compliance Audit IDI has developed two products, viz., the ISSAI Compliance Assessment Tool (iCAT), and the Compliance Audit Handbook, version 1 which is expected to be made available by the end of 2021.

Ms. Shirsat also touched upon other projects of IDI which have close linkages to aspects of compliance audits such as the development of a framework for ensuring quality management in audits in relation to ISQM 1 and ISQM 2, the Leveraging on Technology Advancements (LOTA) project, the Equal Futures Audit Initiative, compliance audits of climate action (Goal 13 of SDGs), and Facilitating Audit Impact initiative. She concluded on a note of interest in further strengthening IDI's collaboration with CAS particularly in developing compliance audit perspectives in such emerging areas of audit. Ms. Sharma, acting chair, CAS, welcomed the suggestion and suggested that the session presented many areas which may be made part of the next CAS work plan as also the next Strategic Development Plan and where CAS may actively collaborate with IDI.

The presentation led to a discussion in which, in response to participants questions, Ms. Shirsat elaborated further on the concept of agile audits, facilitating audit impact and the nuances of auditing climate action.

5. Ms. Enikő Czinder, Head of Quality and Methodological Department, State Audit Office of Hungary made a presentation on **"Applying compliance principles with respect to the challenges of the pandemic and the opportunities of digitalization"**. The SAO of Hungary launched the program of applying digital innovations to compliance audits with the aim of establishing effective communication strategies with reduced personal contact, reducing the work load of audited

entities, and increasing audit effectiveness. The innovations brought about by SAI Hungary cover methodological changes, and changes in audit approach as well as digital transformation of the audit process. Methodological innovations involve the development and operation of data gathering systems that place less burden on the audited entities, and redefining the scope to identify documents that are relevant to audit. Audit approach has been adapted to enable audits to be completed in lesser time, ensuring full coverage through digital means thereby improving audit effectiveness, ensuring judicious selection of documents and thus enabling the SAI to assess relevant areas of responsible management, accountability and transparency. Relying on digital methods helped the SAI to perform real-time audits on selected areas of relevance. Audited entities also benefit from this approach as they obtain real time feedback and recommendations as also enable the SAI to expand the audit base with available resources and contribute to the development of a 'well-managed State'. The digital innovation is achieved through the adoption of a software supported and quality assured audit process. This ensures that routine audit tests are automated, faultless and scalable thus also expanding coverage and reducing time and resource requirements.

6. Mr. Jafar Hasanov and Ms. Narmina Isayeva, representing the Chamber of Accounts of the Republic of Azerbaijan made a presentation on **“Post COVID-19 Audits from compliance audit perspective conducted by the Chamber of Accounts of the Republic of Azerbaijan”**. In the aftermath of the COVID-19 pandemic the Government of Azerbaijan formulated an action plan aimed at supporting economic growth and entrepreneurship, providing socio-economic support to citizens who lost jobs during extended periods of quarantine and also to ensure macroeconomic and financial stability. As part of this plan the Government declared a scheme of lump sum payments for persons who lost their income in areas where the special quarantine regime was in operation. Another scheme aimed at providing tuition fees for students who belong to socially vulnerable groups. The latter scheme is being audited as part of the Transparency, Accountability and Inclusiveness (TAI) Audit program. Audit questions have been appropriately formulated and the audit is being conducted which emphasis on agility in the interest of better focus.
7. Mr. C. M. Sane and Ms. Chanda Pandit, representing SAI India made a presentation on **‘Compliance Audit Strategy and Methodology with reference to Public Health Management System’**. Mr. Sane touched upon the inherent complexity of public health management whose impact is at once felt at both human and economic levels. From the perspective of SAIs, the issue of ensuring accountability gets further complicated when the sector is substantially privately funded. Nevertheless, the need for and relevance of compliance audit in this sector cannot be overstated. This is particularly so since the strength of public health management is revealed in its ability to deal with unprecedented health crisis like the recent pandemic and compliance audit has a role to play in distilling the lessons learned for better governance. Application of the compliance audit methodology, particularly on health emergency response, can be challenging considering the need to make accommodations for the restricted situations under which it is delivered, and where conventional methods of evidence gathering, validation and evaluation and stakeholder engagement require to be reworked. SAI India has undertaken a ‘Horizontal Audit of Public Health Infrastructure and Management Services’ across all states in the country which is expected to provide a holistic view of the public health care sector.

Ms. Chanda Pandit outlined the scope, objectives and methodological aspects of the on-going audit which is being conducted in all 28 States and 9 Union Territories in India, covering the primary, secondary and tertiary health care facilities and also looks at the regulation of the health care provided by the private sector. The audit aims to examine the availability and adequacy of health

financing and infrastructure, management of health services, procurement and management of medical equipment, drugs, vaccines etc., and the development of human resource through education and training. The adequacy of the regulatory framework for supporting the sector and the effectiveness of health insurance schemes will also be examined as part of the audit. The experience of the past year indicates that the 'new normal' of remote audits and audits conducted following social distancing norms has not affected the quality of audits. This methodological shift favours greater dependence on data based audits, and increased reliance of evidence gathering and validation methods.

In response to a query from Ms. Shirsat as to the applicability of policies as criteria from a compliance audit perspective, Mr. Sane explained that in an audit of such complexity it is conceivable that there can be areas of overlap with the performance audit perspective as well. Ms. Ingvild Gulbrandsen, SAI Norway, expanding on the theme of the difference between the two approaches invited the participants to refer the recently approved GUID 4900 for better clarity. Ms. Sharma added that, given the diverse conditions of the different states in India, a uniform approach is not being advocated and the audit is planned to be conducted in two phases, expected to be completed by the end of next year. She hoped to share some of the results during the next meeting of CAS.

8. Ms. Meenakshi Sharma invited suggestions from members for the CAS Work Plan 2022-23. She requested the participants to convey their ideas for the Work Plan by 30 November 2021. She also requested for suggestions regarding the venue for the next CAS meeting hoping that the condition will improve in time for an in person meeting.
9. In conclusion Ms. Sharma thanked everyone for a very interesting meeting. The meeting concluded at 6:15 pm IST