

,Comments on the Appendix to ISSAI 3100 - exposure draft – establishing a sustainable performance audit function: high level guidelines

SAI	Comments
<p>Carolina Podestá Controladoria-Geral da República do Peru</p>	<p>a. The third paragraph states that "<i>When considering communications with stakeholders on performance auditing, it is important to recognize that some stakeholders will be the SAI's usual contacts, such as the legislature and government bodies, but others may be a new group not engaged with previously, such as the academic and business communities, citizens and their representatives, research institutions, interest groups, independent agencies such as non-government organisations, politicians and media representatives. Regarding this item, when reports are drafted, it is necessary to use the appropriate style and language in order to cover a wide range of potential users. In order to develop (...).</i></p> <p>b. On page 6, the fifth paragraph 6 states that "<i>The legislature should be convinced of the need for performance auditing if it is to support additional funds being provided for its introduction within the SAI. It is important for the head of the SAI to manage the legislature's expectations carefully because performance audit is unlikely to deliver immediate results and impacts from any decision to invest in performance auditing: the benefits will come in the medium and longer term, even more so in countries where stakeholders have been used to a SAI oriented to identify irregularities in the short term.</i></p> <p>c. The first paragraph on page 7 indicates that: "<i>In some cases the SAIs will need to seek legislative changes to allow it to undertake performance audits. In such cases the SAI may need to harness a variety of means to help the legislature see the value of this type of auditing. This might involve visits to other legislatures, presentations on the impact of the work and meetings with representatives of SAI with long experience in performance audit", besides specific analysis of regulatory impediments that restrict the performance audit so as to overcome these limitations.</i></p> <p>d. On page 7, paragraph eighth states that "<i>It may also increase the impact of the audit if there is agreement on the findings between the SAI and the audited bodies involved, except for those findings that given their nature require intervention of other organisms besides the SAI.</i></p>
<p>Ennio Colasanti Corte dei conti Italy</p>	<p>I have only minor considerations to propose to your attention: - pag 11 "People": it would be better to delete the numbers (3-5-15-18-36) because of the fact the involvement of a certain number of staff in the initial phase depends on the employees number of the SAI and the time it has for implementing the performance audit. - pag. 14, 5.4, "box": change "Auditor General" with "SAI".</p>
<p>Ewa Miękina Supreme Audit Office Poland</p>	<p>Point 1, page 3, second line: there should also be "the economy" added to "the efficiency and the effectiveness". Point 2.4, page 4, table: A - In the first line in the second column, it should be added that in performance audits the purpose also covers improvement of vfm and proposals for improving the audited activity; B - One more line should be added at the end: first column – audience; second column – wide circles of (non-professional) audience, especially the citizens; third column – mainly parliament and its committees. Point 2.2: Here, a reference should be added to promotion of an audit institution through high quality publication of audit results and through future participation, as an expert, in discussions of scientists and practitioners on topics that are subject to auditing. Point 3.3, page 6, last sentence: Nor do such reports seek to challenge the policy, but to focus on critically examining implementation is contrary to ISSAI 3100, paragraph 4: Depending on their mandate, SAIs may audit the assumptions on which policy decisions were based and the impact of such policy decision. It seems that the wording in ISSAI 3100 is more accurate. Point 3.4: It should be added here that a performance audit has the nature of an undertaking the management of which should be based on general principles of project management. It calls for project teams building so the main audit team needs to be supported by specialists, experts and internal services of an SAI dealing with IT, legal services, statistics, etc. It also requires permanent training, including interpersonal skills trainings. Moreover, the knowledge and experience of auditors obtained through the projects already realised should be gathered and made available to the internal needs of the organisation. Point 3.5, page 9, Institutional issues: It should be added here that there is a necessity of developing methods and tools for conducting tests, which could be used by auditors who carry out performance audits.</p>

	<p>Point 4.2, page 11, People: it should be added here that there is a necessity of providing internal professional support for auditors as regards statistics, IT, publications, relations with the media etc.</p>
<p>State Audit Office of Hungary</p>	<p>The State Audit Office of Hungary agrees with the general approach of the exposure draft, which i.a. provides a concise description of the benefits arising from performance audit for the SAI and the general public, addresses key challenges and issues of introducing and conducting performance audits, defines the criteria of sustainable performance audit, etc. We welcome and appreciate the mentioning of the following factors, requirements in the document: 'evolutionary, gradual development' of performance audit within the SAI during several years; the need for the personal commitment of the head and other executives of the SAI to performance audit; the need to acquire special skills for carrying out performance audits; SAs doing performance audit work on the basis of their legal mandate and in alignment with the principles, postulates stipulated in the INTOSAI documents relevant to performance audit.</p> <p>The Appendix has many overlaps with ISSAI 3100, - which is actually the 'master document' of the Appendix but was sent for comments separately from the Appendix - , and also with ISSAI 3000. Each of these document deals with the '3 E', the legal and financial framework, the human resource related requirements. We would suggest canceling at least the individual explanations of the Appendix' subsection 2.1 on economy, efficiency and effectiveness. Instead of the concerned 3 short paragraphs, the text could refer to Subsection 1.5 of ISSAI 3000 as the source of detailed information to turn to. On the other hand, we find the table at the end of subsection 2.1 very useful.</p> <p>Another common issue of the documents ISSAI 3000, ISSAI 3100 and Appendix to ISSAI 3100 is the definition, description of quality control and quality assurance. In the case of these ISSAI documents we can observe an inconsequent use of these terms. Please compare the terms described in the Appendix with those of ISSAI 3000 (page 55), ISSAI 3100 (subsection 2.5.), Appendix to ISSAI 3000 (page 118-120) and ISSAI 200 (1.26-1.28).</p> <p>Apart from overlaps with other documents, some issues are scattered across the Appendix. For example, communication is addressed on many places. It could be reasonable to collect all matters related to internal and external communication under a separate subsection or to adequately expand subsection 5.5 ('Communication strategy'), with the general goal to present communication-related requirements of performance auditing.</p> <p>The competence of the individuals involved in performance auditing is also a recurring issue (see subsections 3.4 and 5.2), just like recruitment. Please consider the restructuring of the text in order to avoid repetition of the mentioned issues.</p> <p>Please consider to use the expression 'user-friendly' instead of 'reader-focused'. The latter occurs in the last paragraph of sub-section 3.4 and in the last item of 'external relations' under subsection 3.5.</p> <p>We propose not to include the word 'policy' in the title of the manual on performance audit'. Please consider to use 'performance audit manual'. (Under subsection 5.4) At the same time we acknowledge that - apart from the manual - SAs can have performance audit policy.</p> <p>We generally agree with the points, goals, tasks described under subsection 3.3. The relationship with stakeholders is an important issue for the SAO of Hungary, which is reflected in our 4-year strategy and dealt with continuously in the daily practice. It is reasonable to use different approaches for the different groups of stakeholders (academic community, citizens, etc).</p> <p>However, the requirements, points made under 3.3, though valid specially for performance audit, due to the specific characteristics of the latter, in fact apply to all audit and some non-audit activities of SAs.</p> <p>It is more important that the addressed stakeholders represent different aspects, dimensions of the SAI's environment. Namely, the Parliament, interested citizens and the general public are the users (the actual 'target groups') of the SAI's reports. On the other hand, the media is only a means ('a means to the end') that channels the SAI's work to the 'target groups'. Naturally, it is important to have good relations with media, but please consider whether media is a stakeholder for the SAI in the closer sense of the term.</p> <p>'Audited bodies involved' and 'other key stakeholders' could be considered as another, distinct group of stakeholders. Nevertheless, it is not obvious why the auditees should be part of the stakeholders. (Sometimes they are called the clients, in any case, they are the target, subject of the audit activity itself.) Please consider to omit the Ministry of Finance as an example cited for an important audited body. Member countries of INTOSAI vary largely in terms of what powers, authorities the individual public institutions have, how the powers and authorities are distributed. Not each SAI can audit the Ministry of Finance, some SAs are part of this Ministry, etc.</p> <p>In our opinion, those 'other key stakeholders', which have special knowledge in performance audit are of pivotal importance. Please expand the item 'other key stakeholders' to include those professional, scientific (research) and other organizations and those individuals with knowledge and skills in performance audit. That is, it should be taken into account that an SAI can obtain the professional input necessary for its performance audits from different sources. An external expert can be even a</p>

	civil servant of a government institution or of the government itself.
Madagascar	<p>2. THE NATURE AND BENEFITS OF PERFORMANCE AUDITING</p> <p>We don't have any particular remark about this section.</p> <p>We totally agree that Performance auditing aim is to lead to improvements by analysing and assessing the performance of government programs public services in accordance with the three principles:</p> <ul style="list-style-type: none"> - economy, - efficiency, - effectiveness. <p>It plays an important role in contributing to improvement and reform in public administration and government, providing information to Parliament and the citizens to know more about government's actions.</p> <p>Not only this type of Audit is benefit for the audited entities but it also leads the SAI to understand more about their environment especially cultural, social, political, economic issues.</p> <p>3. THE CHALLENGES OF INTRODUCING PERFORMANCE AUDITING</p> <p>3.1. Long term management commitment is needed</p> <p>No comments</p> <p>3.2. A proper mandate is vital</p> <p>Of course, legal mandate is compulsory so that government or entities, SAIs , citizens and all people interested understand the importance of performance auditing and its objective for the general public interest.</p> <p>We totally agree with you about the criteria especially the independence and freedom of the SAI to conduct their mission.</p> <p>3.3. The importance of building relationships with stakeholders</p> <p>It's essential that SAIs keep relationship with stakeholders in order to get more information from them. This information really helps the auditors on conducting the audit. However, that relationship should be a professional one. In this case, Auditors should pay attention to the way of communication with them.</p> <p>Good relationship with stakeholders doesn't mean that SAIs will accept or follow whatever the stakeholders say or expect to the auditors.</p> <p>In addition, good contact with them means that Stakeholders understand the importance of the work of SAI, performance auditing and its purpose so that they will not work in vain.</p> <p>Legislature</p> <p>No comments</p> <p>Good contact with Audited bodies</p> <p>SAIs can't neglect this relationship because their report will be established more in basis of the information they get from the audited entity.</p> <p>In addition, the purpose of performance auditing is to lead into improvement of public administration and the government in order to satisfy general public interest.</p> <p>With citizens</p> <p>Because the citizens are one of the first concerned about performance auditing, communication with them is very important.</p> <p>With media</p> <p>No comments</p> <p>Other key stakeholders</p> <p>No comments</p> <p>To summarize, good relationship with stakeholders is very important for the SAI in performance auditing but it shouldn't prevent the SAI from keeping his independence in doing his mission.</p> <p>FOR THE OTHER POINTS EXPOSED</p> <p>We don't have any special remark. We totally agree with you.</p>

<p>SWEDEN</p>	<p>Introduction (p. 3): to add the following text in the end of the introduction “It is important to consider other relevant ISSAIs such as ISSAI 3000 Implementation Guidelines for Performance Audit and ISSAI 3100 Performance Audit Standards when establishing a performance audit function.”</p> <p>Section 4.1 (p. 10): to change the first sentence into the following sentence: “SAIs should avoid trying to do too much too quickly. Performance audits are time consuming, and even more so for SAIs with no previous experience from performance auditing.”</p> <p>Section 4.2 (p.11): to insert the word “not” in the first sentence under the headline <i>People</i> so that it will read as follows: “It would not be possible to conduct a competent initial performance audit using less than 3-5 full time equivalent staff (though if the performance auditing function is to be sustainable, the number will need to grow from this base point).”</p>
<p>GERMANY</p>	<p>The model for performance audit as presented in the Appendix to ISSAI 3100 merely illustrates one possible approach to this type of audit. It is focused on policies, programmes and public services of a scientific nature requiring significant audit experience and resources. However worthwhile this approach may prove, it should be underlined that performance audit is not necessarily restricted to policy and programmes. Many SAIs cover substantial performance aspects as a daily exercise along with issues of compliance in one and the same audit project. In this perspective, performance audit is for instance a suitable approach to verify whether value for money is achieved whenever a public authority carries out procurement activities.</p>

Tunisia

We hope that such a document will provide a guidance to help meeting the needs of Supreme Audit Institutions that still do not conduct performance audits on a regular and sustainable basis, especially when we know the fact revealed by PAS survey that the community of Supreme Audit Institutions which conduct performance audit regularly and on a sustainable basis is still relatively small. Data from the survey suggested that the performance audit community consisted of less than one third of the 186 INTOSAI members.

We think also that this document will also reinforce the Supreme Audit Institutions having both an organizational and a technical capacity for performance auditing.

However we suppose that less experienced Supreme Audit Institutions may first need guidance on how to promote and introduce a sustainable performance audit function rather than communication strategy.

That's why we are very much in favour of the idea that the item "3.3 The importance of building relationships with stakeholders" is too ambitious and someway contradictory with the idea of beginning small scale, with a pilot and focused themes; and that Supreme Audit Institutions should not try to do too much quickly especially for newcomers mentioned in the document.

The importance of building relationships with stakeholders is central for promoting performance auditing but may not be relevant to Supreme Audit Institutions with no experience in that field and which are in the initial performance audit work, so other considerations may prevail such as

	<p>developing capacity for methodological and professional training and building up competence of the auditors step by step to stimulate knowledge learning.</p> <p>They would have then to set guidelines that will help to safeguard quality of the process for efficient performance audit reports. And therefore performance auditing should be progressively integrated within the overall strategy of the Supreme Audit Institution planning such as annual and strategic plans and the subsequent allocation of resources and having in place a process for communicating the results to stakeholders through a communication strategy.</p>
Frank Grogan National Audit Office – UK	<p>It might be better to state “In contrast to financial auditing, it focuses on the activity rather than the accounts.” dropping “and flow of money.” It is important that performance audit maintains a focus on resource use and this might imply otherwise.</p> <p>Under performance audit it might be worth adding “Professional audit skills”. In our view these are very necessary for performance audit.</p> <p>Under financial auditing we suggest “Annual opinion and/or report”</p>

Richard F. Chambers

Institute of Internal Auditors

1. The document uses the term parliament and legislature interchangeably. The document should select and use a generic term such legislative or elected body.
2. The document refers to the fact that some SAIs are getting started in terms of performance auditing. In this light INTOSAI members may wish to refer to The IIA's recently published Internal Audit Capability Model for the Public Sector which sets out a framework that identifies the fundamentals needed for effective internal auditing in the public sector. The model illustrates the levels and stages through which an audit activity can evolve as it defines, implements, measures and controls its processes and practices.
3. Section 2.2. on external benefits could also note that the SAI has greater powers to access materials in conducting performance audits of government programs. This capability allows them to make valuable assessments.
4. Section 2.3 refers to visibility in the media. The second paragraph in this section should be deleted as efforts to develop media visibility may be seen as inconsistent with the concept of objectivity.
5. Section 3 addressing challenges notes the many challenges associated with achieving the desired level of audit impact, getting and keeping adequate number of skilled staff, getting and keeping the support from top management, managing perceived tension between accountability and performance improvement, writing timely and clear audit reports and developing better audit approaches and methods. To facilitate the successful implementation of performance auditing there should be more guidance provided on addressing the potential conflict and one additional one the potential for impaired independence.
6. Section 3.3 refers to meeting with the legislature to determine audit topics of interest. In our opinion the mandate provided to SAIs should allow them discretion in selecting areas to be audited.
7. Section 3.5 on key success factors refers to developing political support. In our opinion the reference to political support should be deleted and the section should focus on the establishment of the legal mandate for performance auditing.
8. Section 4.1 does not refer to the value of a risk assessment, rather it recommends some quick wins and a theme for initial audit work. In our opinion SAIs should incorporate the concept of risk assessment in selecting the areas to be audited and in planning the audit.
9. Section 4.4 states that SAI's do not need to have a detailed system in place for planning and implementing a performance audit. It goes on to state that

developing audit manuals, quality assurance arrangements, etc. can come at a later date. This philosophy carries over into sections 5.3 and 5.4, which state that the performance auditing framework and policy and procedure manuals be developed over time. We recognize that SAIs are at varying stages of maturity in conducting performance audits. At the same time however there are many SAIs with well developed methodologies and guidance that could be shared with other SAIs to strengthen their ability to successfully implement performance auditing.

10. Section 5.3 refers to the performance auditing framework - The IIARF research publication *Honest, Competent Government: The Promise of Performance Auditing*, offers some additional dimensions to consider in building a framework, particularly around structure and behavior. (See Exhibit 9 pages 54 - 56).