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COMPONENT ONE OF THE STRATEGIC DEVELOPMENT PLAN: ANALYSIS OF THE FRAMEWORK AND NEXT STEPS

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COMPONENT ONE AS PART OF THE STRATEGIC DEVELOPMENT PLAN

1. The 2016 INCOSAI established a planning tool to guide and organise its standard setting work: the Strategic Development Plan (SDP). The first SDP had the very clear aim of taking forward the necessary initiatives to migrate the former ISSAI framework into the new IFPP (INTOSAI Framework for Professional Pronouncements). This has [mostly] been achieved.
2. The development of the subsequent plan for 2020-2022, based on inputs from a wide consultation and a technical review of the current documents, identified the need for further analysis of the IFPP in order to better define, scope and plan its future development.
3. As a result, the SDP 2020-2022 has as its overall objective to focus the core framework on the essential and make it simple, principles-based and future-proof. The guidance and other supporting material is to be as useful as possible by making it up-to-date in content, accessible in format and flexible in application¹. In order to achieve this, the SDP established three components, the first being “*reviewing and refining the conceptual framework*”.

THE OBJECTIVE OF COMPONENT ONE

4. The aim is to look at the **clarity** (of concepts and drafting) **and presentation of the framework**. The review will **neither question the formal requirements, nor make proposals for factual changes to the substance of those requirements (and therefore the way audits are done)**. Development of new pronouncement material (components 2 and 3 of the SDP) can continue in parallel, but be cognisant of the outcome of this project.

WORK DONE SO FAR – INITIAL ANALYSIS OF THE FRAMEWORK

5. We reviewed pronouncements concerning performance and compliance auditing (ISSAIs 100, 300, 400, 3000, 4000, GUID 3910 and 3920). The provided supporting document² and table 1 illustrate the approach we took to assess the pronouncements in respect of their structure, the underlying requirements and corresponding explanations.
6. We did not review pronouncements concerning financial auditing given the ongoing due process for ISSAI 200 and practice notes (as well as the fact the requirements are those set out in International Standards on Auditing (ISAs) issued by IFAC on which we do not have direct power to change).

Type of comparison	Compared pronouncements
Structure (headings and requirements)	ISSAI 100 vs ISSAI 300 vs ISSAI 400 ISSAI 100 vs ISSAI 300 vs ISSAI 3000 ISSAI 100 vs ISSAI 400 vs ISSAI 4000 ISSAI 3000 vs ISSAI 4000
Full text (incl. explanations)	ISSAI 100 vs ISSAI 300 vs ISSAI 3000 ISSAI 100 vs ISSAI 400 vs ISSAI 4000 ISSAI 3000 vs GUID 3910 vs GUID 3920

EXECUTIVE SUMMARY OF THE KEY POINTS IDENTIFIED

7. We identified a number of issues that hamper the clarity and ease of use of the pronouncements we assessed. Some are connected to the way IFPP is set up, and some to the structure of the individual pronouncements. A number of these issues are legacy of the

¹ https://www.issai.org/wp-content/uploads/2019/10/2_SDP-FINAL.pdf (see page 7)

² ISSAI comparison.xls; provided separately



times when pronouncements were drafted by different teams with little or no coordination and oversight in the form of quality control body of the likes of today's IFPP.

8. As regards relations between pronouncements, the most visible problem we found was a significant level of repetition across pronouncements, often using the same wording, and sometimes an illogical progression of detail (paragraphs 13-19). Linked to this is also uncertainty through an inconsistent approach to making references across pronouncements (paragraphs 20-27).
9. Another major issue we identified is an unclear difference between principles and standards and the volume of information they should present together and separately. We also point to the confusing use of the term "principle", which leads to a question if alternatives should be sought to maintaining principles in their current form (paragraphs 28-37).
10. We reflect on the future possibilities of rethinking the current concept of having separate "audit types" and moving towards auditing objectives linked to performance, compliance or financial statements (paragraphs 38-39).
11. Issues linked to the individual pronouncements include their structure, resulting in multiple placement of entries within the same document (paragraphs 40-41), inconsistencies in introducing requirements with headings (paragraph 42) or even misleading headings (paragraph 43), and cases of a disproportional level of detail in certain requirements, which could be more conveniently placed in the explanations (paragraph 44). We also identified cases of unclear drafting, and on a sample of such cases proposed alternative wording as an example of how they could be improved (paragraphs 45-47).
12. Finally, we elaborate on the fact that the IFPP is not an entirely principles-based framework yet, as is the stated objective (paragraphs 48-50).

WHAT WE FOUND – ISSUES CONCERNING THE IFPP AS A WHOLE

Pronouncements convey the same message, using mostly – but not always – the same wording, and sometimes with an illogical progression of detail

13. The ISSAIs contain two sets of pronouncements, which differ by how users should apply them:
 - the hundred-series ISSAIs (known as the ISSAI principles) are meant to serve as a basis for users who wish to develop their own or national standards in line with ISSAIs.
 - the thousand-series ISSAIs (known as the ISSAI standards), represent the authoritative set of documents for SAIs who wish to state that they carry out their audit in accordance, and comply with ISSAIs in full;
14. ISSAI 100 (fundamental audit principles) requests users to comply with ISSAIs 200, 300 or 400 (principles covering the specificities of audit of financial statements, performance and compliance). Also, all hundred series ISSAIs invite users to take account of corresponding ISSAIs of the thousand series – the standards.
15. It would be reasonable to expect that:
 - the hundred-series pronouncements set out the fundamental audit principles and the essential specifics for the audit of financial statements, performance and compliance. Issues common to pursuing all audit objectives should be set out in the fundamental principles. There should be no repetition across these pronouncements when explaining the key concepts, adhering to the spirit of mutual exclusivity and collective exhaustivity.
 - the authoritative thousand-series pronouncements would set out all the necessary information, without the need for the user to consult any other "higher" principles document.

Kommenterad [PR1]: Is probably neither desired nor possible for mainly two reasons. 1. The different audit types have different purposes and different reporting. An assurance of an annual financial statement is something very different from performance audit that is basically an evaluation of a programme. 2. Many SAIs have legislation that defines the different audit types and have different reporting lines for different audit types. One of the main reasons for developing principles related to the different audit types, was the fact that the older "standards" where dealing with all types of audits. This was confusing for most SAIs, and also a reason for the external criticism from among others the Worldbank. They believed that INTOSAI did not have relevant and distinct standards that governed the different types of audits.

Kommenterad [JH2]: We support the work related to the structure and terminology used in the documents. At the same time it should be noted that a principle may have a need for different interpretation in different types of audits.

Kommenterad [JH3]: There are differences in how certain concepts are interpreted and how they should be executed in different types of audits. Therefore, differences need to be accepted.

Kommenterad [JH4]: Yes agree. The need for the principles are mostly for SAIs not following the authoritative standards, but developing their own.



16. However, we found a significant number of cases of practically identical or similarly worded requirements across the pronouncements assessed.

17. As regards similarities across the hundred-series ISSAIs, we found that:

- requirements in ISSAI 100 are drafted in a more general manner than those in ISSAIs 300 and 400.
- at first glance, ISSAI 300 follows more the concept of mutual exclusivity *vis-à-vis* ISSAI 100 than ISSAI 400. ISSAI 300 does not elaborate on a seven and ISSAI 400 on four out of the 17 principles in ISSAI 100 (see parts A of annexes 1 and 2 respectively).
- However, ten principles of ISSAI 100 still have a matching requirement in ISSAI 300, and 13 such principles in ISSAI 400 (see parts A of annexes 1 and 2 respectively). This is not always justified, as many of the issues covered therein either repetitions or issues applicable to auditing either performance or compliances.
- In the same vein and most importantly, six of the seven requirements exclusive to ISSAI 300 and all five requirements currently exclusive to ISSAI 400 are in fact applicable to auditing the other audit objectives, and should be rather listed in ISSAI 100 (see parts B of annexes 1 and 2 respectively).

18. As regards similarities between hundred and thousand-series ISSAIs, we found that:

- 14 of the 17 requirements in ISSAI 300 have a matching requirement in ISSAI 3000 (see annex 3). The three remaining ISSAI 300 requirements also have a matching requirement in ISSAI 3000, but provide more detail – rather than less as one would expect – than ISSAI 3000 (which covers the gap in the explanation following the requirement concerned).
- 16 of the 18 requirements in ISSAI 400 have a matching requirement in ISSAI 4000 (see annex 4). Two requirements in ISSAI 400 are not reflected directly in ISSAI 4000.
- The issue of repetitions across pronouncements also applies to explanatory material, as illustrated on the example in annex 5.

19. In practice, requirements and explanations which concern basic general and process-related basic audit elements (e.g. professional judgement, documentation, quality control, audit objectives, audit criteria, risk issues) are repeated across the mutually linked documents, rather than only being mentioned once and then setting out the truly unique specificities for the different audit 'types'.

Inconsistent approach to making references across pronouncements

20. We identified two approaches to making referencing between pronouncements: direct and general.

21. Direct referencing takes two forms:

- The pronouncement sets out that a particular issue is addressed elsewhere.
As an example, ISSAI 300 refers to ISSAI 100, the INTOSAI-Ps and SAI organisational requirements for coverage of ethics and independence matters. In the case of references made to ISSAI 100 this represents a reversed progression in providing information.
- The pronouncement specifically sets out that it elaborates on entries already covered in "higher" or "same level" pronouncements, but provides a specific perspective.

Kommentarad [PR5]: This is perhaps naturally since ISSAI 100 covers all audit types. The concepts presented in ISSAI 100 might have difference emphasis in the different audit types which is defined by ISSAI 200, 300 and 400. ISSAI 100 is also supposed to be the basis for other types of audit, not necessarily covered by 200-400. Therefore, it is deliberately worded in more general terms

³see ISSAI comparison.xls; provided separately

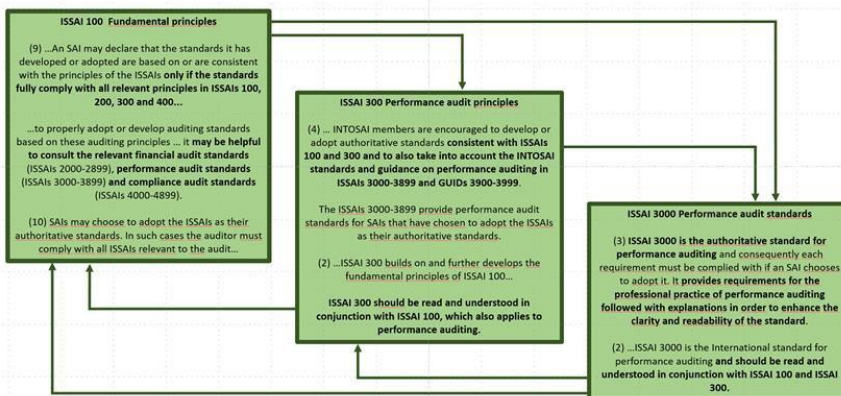


As an example, ISSAI 300 specifically refers to ISSAI 100 in respect of entries on audit risk, quality control, materiality or professional judgement, and elaborates on them further with details relevant to auditing performance objectives. We found that such referencing is highly inconsistent throughout IFPP, because many other “lower” level requirements elaborate in greater detail on issues covered “higher”, but do not include such a reference. This causes uncertainty, because the users cannot be sure if they should consult the complementing pronouncement concerned.

22. General referencing, where pronouncements request or encourage the users to consult other pronouncements. The bulleted text presents how this works in practice (see Figure 1):
- ISSAI 100 (fundamental audit principles) requests users to comply with ISSAIs 300 or 400 (as relevant), and recommends that ISSAIs 3000 and 4000 also be consulted.
 - ISSAI 300 and 400 confirm this link by indicating that they should be read and understood in conjunction with ISSAI 100, and invite users to take account of pronouncements of the thousand series (3000 and 4000 as appropriate).
 - However, ISSAI 3000, which is the ultimate authoritative standard for auditing performance issues, also sets out that it should be read and understood in conjunction with ISSAI 100 and ISSAI 300.

Figure 1

Mutual referencing in documents concerning performance audit



23. It would be reasonable from users to expect that authoritative pronouncements contain all the information necessary to carry out an audit. So, requesting them to consult “higher”, mostly more general pronouncements addressing the same issue in lesser detail causes uncertainty, is inconvenient for users as well as unconventional. It should be noted that such an approach is not applied for ISSAI 4000 (compliance audit standards), and hence inconsistent.
24. The framework does not currently support making specific references to “lower” level pronouncements (e.g. *for more information on subject X see ISSAI Y, paragraph Z*), although this could facilitate significantly users’ orientation in and work with the overly complex IFPP.
25. Moreover, referencing within and across documents is complicated by the absence of numbering the individual requirements in ISSAIs 300, 400, 3000 and 4000. These pronouncements have numbered paragraphs, with no distinction of whether the paragraph



represents definitions, introductory text, general concepts, requirements or the accompanying notes. As an example, if reference should be made to the last requirement of ISSAI 4000 (on follow up), this would be ISSAI 4000:232, even if the pronouncement contains only 35 requirements⁴.

26. ISSAI 4000 sets out that some of the requirements are to some extent influenced by or shared with audits of financial statements or performance, and in such cases, it refers to ISSAI 2000 series and ISSAI 3000 as appropriate. However, there are no such references throughout the remainder of the pronouncement (and nor in the financial and performance pronouncements), leaving any knowledge of such links to the users' imagination or extremely advanced knowledge of the framework.
27. However, ISSAIs 400 and 4000 (audit of compliance) do cover audit of performance objectives under entries on the audit of propriety.

An unclear difference between principles and standards, and the requirements they present

28. Similarities between the hundred- and thousand-series ISSAIs illustrated in the previous section open a more fundamental question on if there should not be a more profound difference between these pronouncements, and the content, meaning and application of principles.
29. Indeed, the IFPP consists of three types of documents. INTOSAI principles (INTOSAI-Ps) address institutional matters and include core material such as are the Lima and Mexico declaration. It can be argued that practically all INTOSAI members subscribe to these principles. The second type are standards (ISSAIs – International Standards for Supreme Audit Institutions), which directly concern audit work. Finally, there are guidelines (GUIDs) which complement the ISSAIs by providing process or subject matter specific advice or set out good practice.
30. As explained in the previous section, the ISSAIs contain two sets of pronouncements: the thousand-series standards and the hundred-series principles.
31. This illustrates the unconventional – and potentially misleading – approach to the use of the term “principles” in the IFPP. The term “principles” applies to the INTOSAI-Ps, to the hundred-series ISSAI pronouncements labelled principles, and requirements set out in these pronouncements also called principles.
32. The IFPP does not elaborate sufficiently the key difference between the individual requirements in the hundred- and thousand series ISSAIs. The difference is partially covered in the outdated (pre-IFPP) drafting rules, requesting that principles (in the hundred-series ISSAIs) be introduced with the verb “should” and requirements (in the thousand-series ISSAIs) with the verb “shall”.
33. In the absence of further IFPP guidance, public sources can be used to shed light on the issue. General definitions describe principles as fundamental assumptions or statements of commitment, while standards are examples of a measure or rule in support of the principle^{5,6}.

⁴ 4000:45, 4000:48, 4000:52, 4000:58, 4000:64, 4000:71, 4000:74, 4000:77, 4000:80, 4000:85, 4000:89, 4000:96, 4000:99, 4000:101, 4000:107, 4000:110, 4000:121, 4000:125, 4000:131, 4000:137, 4000:144, 4000:153, 4000:158, 4000:170, 4000:172, 4000:179, 4000:184, 4000:188, 4000:191, 4000:202, 4000:210, 4000:218, 4000:221, 4000:225, 4000:232

⁵ <https://wikidiff.com/standard/principle>

⁶ <https://www.linkedin.com/pulse/understanding-hierarchy-principles-policies-standards-wally-beddoe>



34. IIA⁷ standards may serve as a suitable benchmark, or source of inspiration for IFPP. Similarly to the IFPP, IIA standards contain mandatory and recommended guidance, and work with the concept of principles and standards. However, the IIA framework adheres to the definitions set out in the paragraph above.
35. The IIA's mandatory guidance comprises:
- 10 core principles, with no explanatory text, which an internal audit function is requested to honour (see annex 6);
 - a definition of internal audit (text of the length of one paragraph);
 - a code of ethics (one document); and
 - standards (one document).
36. Given that the IIA standards are one document, there is no need for a labelling or numbering. Instead, each individual IIA requirement has a unique number (see annex 6), facilitating orientation and referencing in the framework.
37. Turning back to the IFPP with this approach in mind it raises the question of whether there could be alternatives to maintaining the hundred-series ISSAIs as separate pronouncements, whilst still satisfying the objective of providing SAIs both with authoritative pronouncements and a pronouncements to serve as basis on which to base their own standards.

Kommenterad [PR6]: We should be careful not to confuse SAIs that have just learnt about the new IFPP. There is a value in itself that we do not do fundamental changes too often

Kommenterad [BL7]: This discussion seems to be outside the scope and aim of Component 1.

Kommenterad [BL8]: I do not agree. Compliance auditing may be part of a performance audit, but the criteria used are exclusively relating to applicable authorities. To say that PA criteria drawn from scientific knowledge and best practice is a matter of compliance seems rather mechanical.

Kommenterad [PR9]: We do not agree.

Audit types vs auditing specific objectives

38. The review confirmed previously voiced assumptions that all "audit types" are ultimately linked to compliance, following the arguments that:
- financial audit is effectively an audit of a compliance nature, but specifically focused on the audit of financial statements -compliance with the rules and requirements of the accounting framework etc;
 - the assessment of 3Es (performance audit), even in the absence of formal criteria and needing to develop them or benchmark against best or peer practice, is ultimately judging whether one complies or not (with a degree of assurance) with the chosen criteria; and
 - "propriety" aspects of compliance audit refer directly (sound financial management) or indirectly (actions of individuals) to performance aspects.
- In effect, it would be worth exploring if the notion of "compliance" audit as a distinct and separate audit type is justified by the reality. In effect, the same applies to "performance" and "financial" audit as distinct audit types rather than different types of audit objective.
39. That said, it is still important to recognise that auditing compliance with criteria for performance type of objectives, compliance with criteria set out in formal documents (laws and regulations), and compliance with rules applicable to auditing financial statements are core audit procedures, unique in pursuing specific audit objectives.

⁷The Institute of Internal Auditors



WHAT WE FOUND – ISSUES CONCERNING INDIVIDUAL PRONOUNCEMENTS

Unintuitive and sometimes multiple placement of entries within the same and across multiple pronouncements

40. A pronouncement typically consists of two parts:

- a general, non-requirements part which typically sets out the purpose and authority of the document, the framework for the ‘audit type’ covered, and key elements; and
- a section with the requirements, labelled “principles” in ISSAIs 100, 300 and 400. This includes general requirements (e.g. quality control, professional judgement), and requirements linked to the audit process (from planning to follow-up).

41. We identified several examples of an inconsistent approach to recording requirements in the pronouncements, which can be summarised as follows (specific examples available in annex 7):

- elements mentioned twice, both in the general part that ostensibly does not present requirements, and under requirements (e.g. criteria, subject matter);
- elements currently placed under general requirements that would better fit being placed under those concerning process (e.g. audit criteria, audit risk, audit approach, audit objectives etc.); and
- similar elements not mentioned in the same section of the pronouncements (e.g. ISSAI 400 covers audit risk under general requirements, but risk assessment and risk of fraud under requirements concerning the audit process).

Inconsistency in introducing requirements with headings

42. The use of headings in pronouncements is very helpful in separating sections covering specific issues, be it for a single or multiple requirements on the subject. However, they are not used consistently. For instance, the section on reporting in ISSAI 300 uses headings to introduce individual requirements, whilst the corresponding section in ISSAI 3000 has no headings, even though it sets out multiple corresponding requirements (see the ISSAI comparison document provided separately).

Misleading headings

43. Some headings provide misleading information on the material they cover. For example:

- requirements in ISSAIs 100 and 400 do not cover team management under the heading “Audit team management and skills”; and
- the requirement in ISSAI 100 does not mention ‘follow-up’ procedures under the heading “Reporting and follow up”, but addresses this in the explanatory note.

Disproportional level of detail in certain requirements

44. We identified isolated cases where requirements provide an excessive level of detail that may actually complicate compliance with the requirement. We consider that much of the information could be covered in the explanation instead. The examples concerned are in annex 8.

Clarity of drafting not always optimal

45. The ability to produce clear unambiguous text is a very demanding skill that is not easy to master. Furthermore, in order to ensure clarity and accessibility a single body of text such as the IFPP benefits from a single drafting approach and style. This is not currently the case, largely because the current material has been prepared over time by different working bodies and authors, and with little or no quality control focused on this aspect.



46. To illustrate the issue, we proposed on a sample of cases improvements that might help in an upcoming review of the pronouncements (see annex 9).
47. We also identified cases when the terminology used is unclear and inconsistent. This includes the following cases:
- terms which could be replaced by clearer entries, that do not require an immediate looking up in a glossary (e.g. laws and regulations instead of authorities, auditee instead of responsible party);
 - inconsistency in the use of the terms *(individual) auditor(s)*, *(individual) SAI(s)*, *audit team*;
 - certain adjectives of an excessively subjective nature should be avoided in the requirements, and used as little as possible in the explanatory section (e.g. appropriate, suitable – “the auditor must select suitable criteria that ...” is less clear than “the auditor must select criteria that...”).

Not an entirely principles-based framework

48. Finally, we assessed the extent to which documents can be considered principles-based, as is the stated ambition of the current SDPs.
49. We found that the IFPP is not an exclusively principles-based framework, as it gives instructions or sets out how issues should be achieved or what form they should have. As an example for further reflection we provide references to material setting out:
- what a report must contain, or what skills a SAI must possess (see paragraph 44 and annex 8);
 - the obligation to provide separate conclusions/opinions when assessing in one audit task compliance issues and financial statements⁹;
 - how evidence can be collected¹⁰
50. For the framework to be considered purely principles-based, instructions should be turned to guidance.

Kommentarad [BL10]: The framework itself is not principles-based. It consists of principles, standards and guidance. The standards and guidance are principles-based.

Kommentarad [JH11]: Reporting content and structure is important principles. These requirements set out the minimum information that should be included when an audit is reported. Suggest not to move to guidance.

⁸ https://www.issai.org/wp-content/uploads/2019/10/2_SDP-FINAL.pdf (see page 7)

⁹ ISSAI 4000, paragraph 16

¹⁰ ISSAI 4000, paragraph 169



Annex 1: Comparison of requirements between ISSAIs 100 and 300

A) Similarities in requirements

Note: bold text indicates repetition across the compared ISSAIs.

All principles of ISSAI 100 (17)	Corresponding principle of ISSAI 300
SAIs should establish and maintain appropriate procedures for ethics and quality control	(no corresponding requirement)
Auditors should comply with the relevant ethical requirements and be independent.	(no corresponding requirement)
Auditors should maintain appropriate professional behaviour by applying professional scepticism , professional judgment and due care throughout the audit.	Auditors should exercise professional scepticism , but also be receptive and willing to innovate.
Auditors should perform the audit in accordance with professional standards on quality control	Auditors should apply procedures to safeguard quality , ensuring that the applicable requirements are met and placing emphasis on appropriate, balanced and fair reports that add value and answer the audit questions.
Auditors should possess or have access to the necessary skills	Collectively, the audit team should have the necessary professional competence to perform the audit.
Auditors should manage the risks of providing a report that is inappropriate in the circumstances of the audit	Auditors should actively manage audit risk , which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users The wording differs but some elements in the explanation are not unique to performance audit only and should be covered in ISSAI 100.
Auditors should consider materiality throughout the audit process	Auditors should consider materiality at all stages of the audit process . Thought should be given not only to financial but also to social and political aspects of the subject matter, with the aim of delivering as much added value as possible.
Auditors should prepare audit documentation that is sufficiently detailed to provide a clear understanding of the work performed , evidence obtained and conclusions reached	Auditors should document the audit in accordance with the particular circumstances thereof. Information should be sufficiently complete and detailed 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 .
Auditors should establish effective communication throughout the audit process	Auditors should maintain effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and define the content, process and recipients of communication for each audit.
Auditors should ensure that the terms of the audit have been clearly established	(no corresponding requirement)
Auditors should obtain an understanding of the nature of the entity/ programme to be audited	(no corresponding requirement)



Auditors should conduct a risk assessment or problem analysis and revise this as necessary in response to the audit findings	(no corresponding requirement)
Auditors should identify and assess the risks of fraud relevant to the audit objectives.	(no corresponding requirement)
Auditors should plan their work to ensure that the audit is conducted in an effective and efficient manner	Auditors should 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.
Auditors should perform audit procedures that provide sufficient appropriate audit evidence to support the audit report	Auditors should obtain sufficient appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions and issue recommendations.
Auditors should evaluate the audit evidence and draw conclusions	(no corresponding requirement)
Auditors should prepare a report based on the conclusions reached	Auditors should strive to provide audit reports which are comprehensive, convincing, timely, reader-friendly and balanced. The wording of the requirement differs but the explanation covers partially the same issues and some most elements therein are not unique to performance audit only, so and should be covered in ISSAI 100.

B) Overview of requirements unique to ISSAI 300 as compared to ISSAI 100

Comments	Principles of ISSAI 300 with no corresponding match in ISSAI 100
All audits have an objective they pursue: compliance with laws and regulations, 3E, or requirements set out for financial statements. A relevant principle should be included in ISSAI 100.	Auditors should set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness.
	Auditors should choose a result-, problem- or system-oriented approach, or a combination thereof, to facilitate the soundness of audit design.
All audits are based on assessing against criteria, which correspond to the audit objective. A relevant principle should be included in ISSAI 100.	Auditors should establish suitable criteria which correspond to the audit questions and are related to the principles of economy, efficiency and effectiveness.
Selecting audit topics is also relevant for auditing compliance objectives. A relevant principle should be included in ISSAI 100, with a disclaimer of non-applicability for the audit of financial statements.	Auditors should select audit topics through the SAI's strategic planning process by analysing potential topics and conducting research to identify risks and problems.
Recommendations are also relevant for auditing compliance objectives and SAIs may even choose to issue recommendations relevant to auditing financial statements. A relevant principle should be included in ISSAI 100.	If relevant and allowed by the SAI's mandate, auditors should seek to provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit.
This principle applies to all audits regardless of the objective they pursue. A relevant principle should be included in ISSAI 100.	Auditors should seek to make their reports widely accessible, in accordance with the mandate of the SAI.



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Following up is also applicable to other audits regardless of the objectives they pursue. The entry in ISSAI 100 in taking the form of explanatory text should be turned to a principle and elaborate on the common issues.

Auditors should follow up previous audit findings and recommendations wherever appropriate. Follow-up should be reported appropriately in order to provide feedback to the legislature together, if possible, with the conclusions and impacts of all relevant corrective action.

**Annex 2: Comparison of requirements between ISSAIs 100 and 400****A) Similarities in requirements**

Note: bold text indicates repetition across the compared ISSAIs.

All principles of ISSAI 100	Corresponding principle of ISSAI 400
SAIs should establish and maintain appropriate procedures for ethics and quality control	(no corresponding requirement)
Auditors should comply with the relevant ethical requirements and be independent.	(no corresponding requirement)
Auditors should maintain appropriate professional behaviour by applying professional scepticism, professional judgment and due care throughout the audit.	Auditors should plan and conduct the audit with professional scepticism and exercise professional judgement throughout the audit process
Auditors should perform the audit in accordance with professional standards on quality control	Auditors should take responsibility for the overall quality of the audit. <i>The wording differs but addresses the same issue</i>
Auditors should possess or have access to the necessary skills	Auditors should have access to the necessary skills.
Auditors should manage the risks of providing a report that is inappropriate in the circumstances of the audit	Auditors should consider audit risk throughout the audit process <i>The wording differs but addresses the same issue</i>
Auditors should consider materiality throughout the audit process	Auditors should consider materiality throughout the audit process.
Auditors should prepare audit documentation that is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained and conclusions reached	Auditors should prepare sufficient audit documentation.
Auditors should establish effective communication throughout the audit process	Auditors should maintain effective communication throughout the audit process.
Auditors should ensure that the terms of the audit have been clearly established	(no corresponding requirement)
Auditors should obtain an understanding of the nature of the entity/ programme to be audited	Auditors should understand the audited entity in the light of the relevant authorities.
Auditors should conduct a risk assessment or problem analysis and revise this as necessary in response to the audit findings	Auditors should perform a risk assessment to identify risks of non-compliance.
Auditors should identify and assess the risks of fraud relevant to the audit objectives.	Auditors should consider the risk of fraud.
Auditors should plan their work to ensure that the audit is conducted in an effective and efficient manner	(no corresponding requirement)
Auditors should perform audit procedures that provide sufficient appropriate audit evidence to support the audit report	Auditors should gather sufficient appropriate audit evidence to cover the audit scope
Auditors should evaluate the audit evidence and draw conclusions	Auditors should evaluate whether sufficient and appropriate audit evidence has been obtained and form relevant conclusions.



Auditors should prepare a report based on the conclusions reached	Auditors should prepare a report based on the principles of completeness, objectivity, timeliness and a contradictory process. The wording of the requirement differs but the explanation covers partially the same issues and some most elements therein are not unique to performance audit only, so and should be covered in ISSAI 100.
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B) Overview of requirements unique to ISSAI 400 as compared to ISSAI 100

Comments	Principles of ISSAI 400 with no corresponding match in ISSAI 100
This principle applies to all audits regardless of the objective they pursue. A relevant principle should be included in ISSAI 100.	Auditors should determine the audit scope.
All audits are based on assessing against criteria, which correspond to the audit objective. A relevant principle should be included in ISSAI 100.	Auditors should identify the subject matter and suitable criteria.
This principle applies to all audits regardless of the objective they pursue. A relevant principle should be included in ISSAI 100.	Auditors should understand the control environment and the relevant internal controls and consider whether they are likely to ensure compliance.
This principle applies to all audits regardless of the objective they pursue. A relevant principle should be included in ISSAI 100.	Auditors should develop an audit strategy and an audit plan.
Following up is also applicable to other audits regardless of the objectives they pursue. The entry in ISSAI 100 in taking the form of explanatory text should be turned to a principle and elaborate on the common issues.	Auditors should follow up instances of non-compliance when appropriate.



Annex 3: Comparison of similarities in requirements between ISSAI 300 and ISSAI 3000

Bold text indicates repetition across the compared ISSAIs.

All principles of ISSAI 300	Corresponding requirements of ISSAI 3000
Auditors should set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness	The auditor shall set a clearly-defined audit objective(s) that relates to the principles of economy, efficiency and/or effectiveness
Auditors should choose a result-, problem- or system-oriented approach, or a combination thereof, to facilitate the soundness of audit design.	The auditor shall choose a result-, problem or system-oriented audit approach, or a combination thereof.
Auditors should establish suitable criteria which correspond to the audit questions and are related to the principles of economy, efficiency and effectiveness.	The auditor shall establish suitable audit criteria, which correspond to the audit objective(s) and audit questions and are related to the principles of economy, efficiency and/or effectiveness.
Auditors should actively manage audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users.	The auditor shall actively manage audit risk to avoid the development of incorrect or incomplete audit findings, conclusions, and recommendations, providing unbalanced information or failing to add value
Auditors should maintain effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and define the content, process and recipients of communication for each audit.	The auditor shall plan for and maintain effective and proper communication of key aspects of the audit with the audited entity and relevant stakeholders throughout the audit process. Illogical progression of detail in favour of ISSAI 300. ISSAI 3000 covers the essence of the extra elements set out in this principle in the relevant accompanying explanation.
Collectively, the audit team should have the necessary professional competence to perform the audit. This would include sound knowledge of auditing, research design, social science methods and investigation or evaluation techniques, as well as personal strengths such as analytical, writing and communication skills.	The SAI shall ensure that, the audit team collectively has the necessary professional competence to perform the audit. Illogical progression of detail in favour of ISSAI 300. ISSAI 3000 covers the extra elements of this principle in the relevant accompanying explanation)
Auditors should exercise professional scepticism, but also be receptive and willing to innovate.	The auditor shall exercise professional judgment and scepticism and consider issues from different perspectives, maintaining an open and objective attitude to various views and arguments. The auditor shall be willing to innovate throughout the audit process.
Auditors should apply procedures to safeguard quality, ensuring that the applicable requirements are met and placing emphasis on appropriate, balanced and fair reports that add value and answer the audit questions.	The SAI shall establish and maintain a system to safeguard quality, which the auditor shall comply with to ensure that all requirements are met, and place emphasis on appropriate, balanced, and fair audit reports that add value and answer the audit questions.
Auditors should consider materiality at all stages of the audit process. Thought should be given not only to financial but also to social and political aspects of the subject matter, with the aim of delivering as much added value as possible.	The auditor shall consider materiality at all stages of the audit process, including the financial, social and political aspects of the subject matter with the goal of delivering as much added value as possible.
Auditors should document the audit in accordance with the particular circumstances thereof. Information should be sufficiently complete and	The auditor shall document the audit in a sufficiently complete and detailed manner.



<p>detailed 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>Illogical progression of detail in favour of ISSAI 300. ISSAI 3000 covers the extra elements of this principle in the relevant accompanying explanation.</p>
<p>Auditors should select audit topics through the SAI's strategic planning process by analysing potential topics and conducting research to identify risks and problems.</p>	<p>The auditor shall select audit topics through the SAI's strategic planning process by analysing potential topics and conducting research to identify audit risks and problems.</p>
<p>Auditors should 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>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>Auditors should obtain sufficient appropriate audit evidence to establish findings, reach conclusions in response to the audit objectives and questions and issue recommendations.</p>	<p>The auditor shall obtain sufficient and appropriate audit evidence in order to establish audit findings, reach conclusions in response to the audit objective(s) and audit questions and issue recommendations when relevant and allowed by the SAI's mandate.</p>
<p>Auditors should strive to provide audit reports which are comprehensive, convincing, timely, reader-friendly and balanced.</p>	<p>The auditor shall provide audit reports, which are a) comprehensive, b) convincing, c) timely, d) reader friendly, and e) balanced.</p>
<p>If relevant and allowed by the SAI's mandate, auditors should seek to provide constructive recommendations that are likely to contribute significantly to addressing the weaknesses or problems identified by the audit.</p>	<p>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>Auditors should seek to make their reports widely accessible, in accordance with the mandate of the SAI.</p>	<p>The SAI shall make its audit reports widely accessible taking into consideration regulations on confidential information.</p>
<p>Auditors should follow up previous audit findings and recommendations wherever appropriate. Follow-up should be reported appropriately in order to provide feedback to the legislature together, if possible, with the conclusions and impacts of all relevant corrective action.</p>	<p>The auditor shall follow up, as appropriate, on previous audit findings and recommendations and the SAI shall report to the legislature, if possible, on the conclusions and impacts of all relevant corrective actions.</p>



Annex 4: Comparison of similarities in requirements between ISSAI 400 and ISSAI 4000

Note: bold text indicates repetition across the compared ISSAIs.

All principles of ISSAI 400	Corresponding requirements in ISSAI 4000
Auditors should plan and conduct the audit with professional scepticism and exercise professional judgement throughout the audit process.	The auditor shall exercise professional judgment throughout the audit process. The auditor shall exercise professional scepticism, and maintain an open and objective mind
Auditors should take responsibility for the overall quality of the audit.	The SAI shall take responsibility for the overall quality of the audit to ensure that the audits are carried out in accordance with relevant professional standards, laws and regulations, and that the reports are appropriate in the circumstances.
Auditors should have access to the necessary skills.	The SAI shall ensure that the audit team collectively has the necessary professional competence to perform the audit.
Auditors should consider audit risk throughout the audit process.	The auditor shall perform procedures to reduce the risk of producing incorrect conclusions to an acceptable low level. The wording differs but addresses the same issue.
Auditors should consider materiality throughout the audit process.	The auditor shall determine materiality to form a basis for the design of the audit, and re-assess it throughout the audit process.
Auditors should prepare sufficient audit documentation.	The auditor shall prepare audit documentation that is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained and conclusions reached. The auditor shall prepare the audit documentation in a timely manner, keep it up to date throughout the audit, and complete the documentation of the evidence supporting the audit findings before the audit report is issued
Auditors should maintain effective communication throughout the audit process.	The auditor shall communicate in an effective manner with the audited entity and those charged with governance throughout the audit process.
Auditors should determine the audit scope.	(no corresponding requirement)
Auditors should identify the subject matter and suitable criteria.	Where the SAI has discretion to select the coverage of compliance audits, the auditor shall define the subject matter to be measured or evaluated against criteria
Auditors should understand the audited entity in the light of the relevant authorities.	The auditor shall have an understanding of the audited entity and its environment, including the entity's internal control, to enable effective planning and execution of audit.
Auditors should understand the control environment and the relevant internal controls and consider whether they are likely to ensure compliance.	The auditor shall have an understanding of the audited entity and its environment, including the entity's internal control, to enable effective planning and execution of audit.
Auditors should perform a risk assessment to identify risks of non-compliance.	(no corresponding requirement)
Auditors should consider the risk of fraud.	The auditor shall consider the risk of fraud throughout the audit process, and document the result of the assessment.
Auditors should develop an audit strategy and an audit plan.	The auditor shall develop and document an audit strategy and an audit plan that together describe



	how the audit will be performed to issue reports that will be appropriate in the circumstances, the resources needed to do so and the time schedule for the audit work
Auditors should gather sufficient appropriate audit evidence to cover the audit scope	The auditor shall plan and perform procedures to obtain sufficient and appropriate audit evidence to form a conclusion with the selected level of assurance
Auditors should evaluate whether sufficient and appropriate audit evidence has been obtained and form relevant conclusions .	The auditor shall compare the obtained audit evidence with the stated audit criteria to form audit findings for the audit conclusion(s) .
Auditors should prepare a report based on the principles of completeness, objectivity, timeliness and a contradictory process .	The auditor shall prepare an audit report based on the principles of completeness, objectivity, timeliness, accuracy and contradiction
Auditors should follow up instances of non-compliance when appropriate .	The auditor shall decide follow up on opinions/conclusions/ recommendations of instances of non-compliance in the audit report when appropriate .



Annex 5: Example of repetitions in explanations between ISSAIs of the hundred- and thousand series

Note: bold text indicates repetition across the compared ISSAIs, making use of colour to facilitate orientation. Standard black text indicates text unique to the pronouncement on that subject.

ISSAI 300 on audit objectives	ISSAI 3000 on audit objectives
<p>Requirement</p> <p>(25) Auditors should set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness.</p>	<p>Requirement</p> <p>(35) The auditor shall set a clearly-defined audit objective(s) that relates to the principles of economy, efficiency and/or effectiveness.</p> <p>(36) The auditor shall articulate the audit objective(s) in sufficient detail in order to be clear about the questions that will be answered and to allow logical development of the audit design.</p> <p>(37) If the audit objective(s) is formulated as audit questions and broken down into sub-questions, then the auditor shall ensure that they are thematically related, complementary, not overlapping and collectively exhaustive in addressing the overall audit question.</p>
<p>Explanation</p> <p>The audit objective determines the approach and design of the engagement. It could simply be to describe the situation. However, normative audit objectives (are things as they ought to be?) and analytical audit objectives (why are things not as they ought to be?) are more likely to add value. In all cases, the auditors need to consider what the audit pertains to, which organisations and bodies are involved and for whom the ultimate recommendations are likely to be relevant.</p> <p>Well-defined audit objectives relate to a single entity or an identifiable group of government undertakings, systems, operations, programmes, activities or organisations.</p> <p>Many audit objectives can be framed as an overall audit question which can be broken down into more precise sub-questions. They should be thematically related, complementary, not overlapping and collectively exhaustive in addressing the overall audit question.</p> <p>All terms employed in the question should be clearly defined. The formulation of audit questions is an iterative process in which the questions are repeatedly specified and refined, account being taken of known relevant information on the subject as well as feasibility. Instead of defining a single objective or overall audit question, auditors may choose to develop several audit objectives, which need not always be broken down into sub-questions.</p>	<p>Explanation</p> <p>(38) An audit objective(s) can be thought of as audit questions about the subject matter on which the auditor seeks to obtain answers, based on the audit evidence obtained. A well-defined audit objective(s) relates to government undertakings, systems, operations, programmes, activities or organizations that are related to the subject matter. The formulation of audit questions is an iterative process in which the questions are repeatedly specified and refined, account being taken of known relevant information on the subject as well as feasibility</p> <p>(39) Many audit objectives can be framed as an overall audit question, which can be broken down into sub-questions that are more precise. Instead of defining a single audit objective or overall audit question, the auditor may choose to develop several audit objectives, which need not always be broken down into questions and sub-questions.</p>



Annex 6: Structure of the IIA mandatory guidance

IIA mandatory guidance

core principles

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

IA definition

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Code of Ethics

(1 document)

Standards

(1 document)



Example of an IIA standard

Numbering of individual requirements, not entire documents

1120 Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

**Annex 7: Examples of a varying approach to recording elements in pronouncements**

Note: an entry in a pronouncement is understood as having a dedicated text (typically introduced by an appropriate heading), or a requirement (principle) on the subject. Isolated mentions in the explanation concerning another subject are not considered a dedicated entry in the pronouncement.

subject matter	ISSAI 100	ISSAI 300	ISSAI 400	ISSAI 3000	ISSAI 4000
general part	x	x	x	-	x
requirements (general)	-	-	-	x	-
requirements (process)	-	-	x	-	x

audit criteria	ISSAI 100	ISSAI 300	ISSAI 400	ISSAI 3000	ISSAI 4000
general part	x	x	x	-	-
requirements (general)	-	x	-	x	-
requirements (process)	-	-	x	x	x

risk of fraud	ISSAI 100	ISSAI 300	ISSAI 400	ISSAI 3000	ISSAI 4000
general part	-	-	-	-	-
requirements (general)	-	-	-	x	x
requirements (process)	x	-	x	-	x

materiality	ISSAI 100	ISSAI 300	ISSAI 400	ISSAI 3000	ISSAI 4000
general part	-	-	-	-	-
requirements (general)	x	x	x	x	-
requirements (process)	-	-	-	-	x

audit scope	ISSAI 100	ISSAI 300	ISSAI 400	ISSAI 3000	ISSAI 4000
general part	-	-	-	-	x
requirements (general)	-	-	-	-	-
requirements (process)	-	-	x	-	-

understanding the entity	ISSAI 100	ISSAI 300	ISSAI 400	ISSAI 3000	ISSAI 4000
general part	-	-	-	-	-
requirements (general)	-	-	-	-	-
requirements (process)	x	-	x	-	x



Annex 8: Examples of a disproportional level of detail in requirements

The audit report shall include the following elements (although not necessarily in this order):

- a) Title.
- b) Identification of the auditing standards.
- c) Executive summary (as appropriate).
- d) Description of the subject matter and the scope (extent and limits of the audit).
 - e) Audit criteria.
 - f) Explanation and reasoning for the methods used.
 - g) Findings.
- h) Conclusion(s) based on answers to specific audit questions or opinion.
 - i) Replies from the audited entity (as appropriate).
 - j) Recommendations (as appropriate).

Source: ISSAI 4000:210 concerning the report structure for direct reporting engagements

The audit report shall include the following elements (although not necessarily in this order):

- a) Title.
- b) Addressee.
- c) Description of the subject matter information, and when appropriate the underlying subject matter.
- d) Extent and limits of the audit including the time period covered.
- e) Responsibilities of the responsible party and the auditor.
 - f) Audit criteria.
- g) Identification of the auditing standards and level of assurance.
- h) A summary of the work performed and methods used.
 - i) Opinion/conclusion.
- j) Replies from the audited entity (as appropriate).
 - k) Report date.
 - l) Signature.

Source: ISSAI 4000:218 concerning the report structure for attestation engagements

In the SAIs with jurisdictional powers, the auditor shall consider the role of the prosecutor or those responsible for dealing with judgment issues within the SAI, and shall also include as appropriate, the following elements in both direct reporting and attestation engagements:

- a) Identification of the responsible parties and the audited entity.
- b) The responsible person(s) involved and their responsibilities.
- c) Identification of the auditing standards applied in performing the work.
 - d) Responsibilities of the auditor.
 - e) A summary of the work performed.
- f) Operations and procedures etc. that are affected by non-compliance acts and/or possible unlawful acts.

This needs to include, as appropriate:

 - A description of the finding and of its cause,
 - The legal act which has been infringed (the audit criteria),
 - The consequences of the non-compliance acts and/or possible unlawful acts.
- g) The responsible persons and their explanations regarding their non-compliance acts and/or possible unlawful acts, when appropriate.
- h) The auditor's professional judgment which determines whether there is personal liability for non-compliance acts.
 - i) The value of the loss/misuse/waste created and the amount to be paid due to personal liability.
- j) Any measures taken by responsible persons during the audit to repair the loss/misuse/waste created.
 - k) The management's arguments on the non-compliance/unlawful acts.

Source: ISSAI 4000:221 concerning the report structure for SAIs with jurisdictional powers

Collectively, the audit team should have the necessary professional competence to perform the audit. This would include sound knowledge of auditing, research design, social science methods and investigation or evaluation techniques, as well as personal strengths such as analytical, writing and communication skills.

Source: ISSAI 300:30 concerning skills



Annex 9: Examples of drafting with potential to improve

Original drafting and source	Possible alternative
Auditors should possess or have access to the necessary skills (ISSAI 100; 39).	All audit staff working on a task should have the necessary knowledge and skills, or be provided with appropriate additional expertise [through the use of internal or external experts].
Auditors should conduct a risk assessment or problem analysis and revise this as necessary in response to the audit findings. (ISSAI 100; 46)	The auditor should conduct a risk assessment, [and where appropriate a problem analysis], when planning the audit, and update it as necessary throughout the audit process.
Auditors should choose a result-, problem- or system-oriented approach, or a combination thereof, to facilitate the soundness of audit design. (ISSAI 300; 26)	The auditor should design the audit in a way that allows to achieve the audit objectives effectively and economically [, through a result-, problem- or system-oriented approach, or a combination thereof].
Auditors should actively manage audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users (ISSAI 300; 28)	The auditor manages the risk of making incorrect conclusions, providing unbalanced information and failing to add value for users.
The auditor shall communicate assurance about the outcome of the audit of the subject matter against criteria in a transparent way. (ISSAI 3000; 32)	When reporting on the results of the audit, the auditor should disclose criteria against which the evidence was assessed.
The SAI shall establish and maintain a system to safeguard quality, which the auditor shall comply with to ensure that all requirements are met, and place emphasis on appropriate, balanced, and fair audit reports that add value and answer the audit questions. (ISSAI 3000; 79)	The SAI establishes and maintains a system for quality control, with which the auditor shall comply. Note: <i>It is unclear why the quality control issue is associated with the need to provide a balanced and fair audit report that addresses the audit questions and adds value to the users (any more than other aspects of the audit process).</i>
The auditor shall acquire substantive and methodological knowledge during the planning phase. (ISSAI 3000; 98)	During the audit planning phase the auditor should research the audit topic, and identify the most appropriate audit approach.
The auditor shall analyse the collected information and ensure that the audit findings are put in perspective and respond to the audit objective(s) and audit questions; reformulating the audit objective(s) and audit questions as needed (ISSAI 3000; 112).	The auditor analyses the audit evidence against the criteria in order to conclude on the audit objectives. When reporting on the audit, the objectives may need to be reformulated to reflect the conclusions reached [, if the initially planned objectives could not be concluded on].