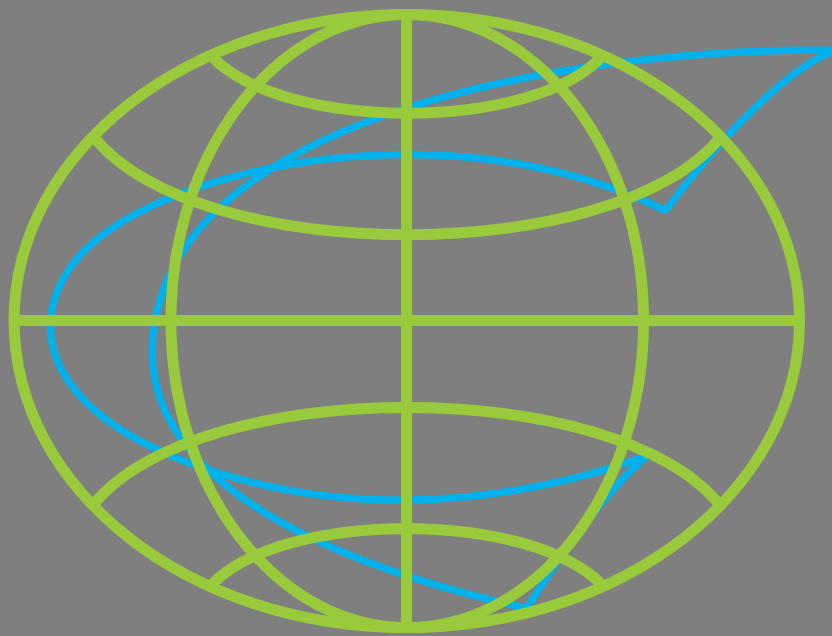


The auditing function of Supreme Audit Institutions

A systematic mapping of the auditing assignments of 37 selected Supreme Audit Institutions across the regions of INTOSAI



INTOSAI Professional Standards Committee

This report presents the results of a systematic mapping of the auditing assignments of 37 selected Supreme Audit Institutions across the regions of INTOSAI.

The report has been prepared by the PSC Chairman with contribution from the representatives of INTOSAI's regions in the PSC Steering Committee.

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Annex on the mandates of the 37 selected SAIs:

Table 1: Glossary of the key definitions

Table 2: General overview of the assignments of 37 selected SAIs.

Table 3-9: The provisions of the mandates of the selected SAIs

1. Foreword

This report gives an overview of the different legal mandates of SAIs and provides a set of general concepts and distinctions describing the different auditing assignments of SAIs.

The information presented and the concepts developed are the outcome of a mapping of the legal mandates of SAIs conducted by the Professional Standards Committee (PSC) of the International Organization of Supreme Audit Institutions (INTOSAI) in 2009-2010. The mapping of SAI mandates was initiated by the PSC Steering Committee at its meeting in Brasilia in June 2009. The Steering Committee discussed the need to update the Fundamental Auditing Principles (ISSAI 100-999) of the International Standards of Supreme Audit Institutions (ISSAI) in order to strengthen the consistency in the full set of professional standards and provide general recommendations on auditing with applicability for all SAIs.

In order to provide a solid foundation for the potential project to update the Fundamental Auditing Principles, there was general agreement among the Steering Committee members that an initial assessment should be conducted in accordance with the (proposed) due process for INTOSAI's Professional Standards. Given the special character of the project and its far-reaching nature, the initial assessment should include a mapping of the auditing assignments of SAIs. The mapping should:

- Gather information from INTOSAI regions on the mandates of SAIs on the following characteristics of their auditing assignments: The scope, subject, criteria and resolve of the audit and the reporting to intended users.
- Develop the necessary and appropriate distinctions between different kinds of assignments (e.g. assignments to provide a statement of assurance vs. other assignments).

At the following meeting in Copenhagen 5-7 May 2010 the Steering Committee approved a project proposal on the harmonization of ISSAIs and revision of the fundamental auditing principles. In the following, this project is referred to as the ISSAI Harmonization Project.

The purpose of the mapping has thus been twofold: to obtain an overview of the different legal mandates of SAIs – in particular in relation to the audit assignments - and to define a “common language” for explaining and comparing the tasks of SAIs across their different national settings. In this way, the mapping will not only provide important input to the ISSAI Harmonization Project. It also presents a systematic overview of the various ways the tasks of the selected SAIs are defined by their mandate. I hope this overview will prove to be of general value to many colleagues within INTOSAI.

The mapping has been conducted by representatives of INTOSAI's different regions within the PSC Steering Committee. These include:

- The SAI of Cameroon (AFROSAI-F)
- The SAI of Zimbabwe (AFROSAI-E)
- The SAI of Bahrain (ARABOSAI)
- The SAI of China (ASOSAI)
- The SAI of Mexico (OLACEFS)
- The SAI of New Zealand (PASAI)
- The SAI of USA has covered North America
- The SAIs of Denmark and Belgium have covered EUROSAI

The draft report was discussed at a meeting of the regional representatives of the PSC Steering Committee hosted by the Court of Accounts of Belgium in Brussels on 28-29 February 2010.

The regional representatives also agreed on a set of recommendations for the ISSAI Harmonization Project in light of the mapping of the mandates of SAIs and these recommendations are included in the present report.

I would like to thank all the regional representatives as well as the contributing SAIs for the work and commitment that made this report possible.

There are in total more than 180 SAIs in the world. It has only been possible to include detailed information on a sample of these in the mapping. We hope, however, that the general concepts outlined in the following will prove useful for all SAIs and will help facilitate the mutual exchange of knowledge and experience on auditing among INTOSAI's members.

Henrik Otbo
Chairman of the PSC
Auditor General of Denmark

2. General conclusion

Although SAIs are organised differently and have different audit assignments they are united by a common commitment to ensure accountability and transparency in government. SAIs have as institutions an important role and function in a context of accountability. The mapping of SAI audit assignments has highlighted the many different ways in which the mandates of SAIs around the world define the different assignments of auditing. In light of this diversity it might appear to be an overwhelmingly complex task to attempt to provide general recommendations on auditing with applicability for all SAIs. Any such recommendations must be based on the obligation of each single SAI to perform its duties in accordance with the specific provisions of its mandate.

However, as the mapping demonstrates there is more that unites than divides the community of SAIs; it has been possible to identify and define a common set of characteristics that can be applied to all SAI auditing assignments throughout the world. Moreover, it has also proved possible to classify the many different SAI auditing assignments into a limited number of generic types. This report is suggesting only a limited number of key distinctions with regard to the scope and objective of audits. The mapping demonstrates that these are sufficient to describe the full range of different auditing assignments around the world. It has been difficult to strike the balance between the need to keep the system of concepts simple and generic on the one hand and the desire to allow sufficient detail to ensure that all SAIs would find that their tasks were reflected in a recognizable manner. This balance has been considered carefully by the representatives from the INTOSAI regions in each individual case to ensure that the concepts developed above would provide a useful common language for INTOSAI as well as a solid basis for providing recommendations on the conduct of the different kinds of identified auditing tasks.

The general conclusion is that the legal mandates of SAIs are emphasising audit assignments as an integrated part of the governance system in a context of accountability. The basic function of SAIs is to provide audit or assurance services by comparing economic information with a framework for financial reporting, and to produce knowledge derived from the conduct of audit investigations, which creates the basis for the implementation of corrective actions. This is the central foundation for a future harmonization project of the Fundamental Auditing Principles.

Based on the results of the SAI mapping, the regional representatives of the PSC Steering Committee have agreed on a set of recommendations in relation to the update of the Fundamental Auditing Principles under the ISSAI Harmonization Project for consideration by the project group.

The recommendations are:

- A. The general function of SAIs should be the starting point.
- B. The relations to a general family of auditing, assurance and accountability tasks should be maintained.
- C. Maintain the powers of SAIs to exercise full discretion.
- D. The need for flexibility in the Fundamental Auditing Principles.
- E. Maintain the three general branches of auditing.
- F. The need to describe further key features of different SAI audit tasks in order to provide clear recommendations:
- G. The need to distinguish between different styles of conclusion
 - The conclusions to express assurance
 - The other styles of conclusions that are used by SAIs

- H. The need to recognize the tasks of Court of Accounts, Auditor Generals as well as other SAIs in all INTOSAI regions.
- I. Reporting to different intended users by combining different kinds of conclusions.
- J. Recognizing SAIs' cooperation with other auditors.
- K. Clarity regarding assertions of compliance with the ISSAIs.

The recommendations are further described in section 5 (page 21).

3. The mapping of SAI legal mandates – different audit assignments

In a sovereign state the SAI is the highest national auditing authority within the constitutional system. An SAI is an integrated part of the governance system of a sovereign state.

The general mandates of SAIs are provided by the national constitution, acts of law or other legal instruments and contain the provisions establishing the SAI and regulating its functions. The mandates normally contain a number of provisions on the auditing functions of the SAI. The SAIs are assigned to perform certain audit tasks that may be described in some detail in the mandate while leaving room for the SAI's own discretion.

The mapping has considered the following four key features which may be regulated in the mandate of a SAI to some extent:

- A. The scope of the auditing assignments: The range of objects for which the SAI has a general auditing responsibility and the further conditions regulating its responsibility to audit these objects.
- B. The more specific subjects that a SAI should consider in its audits and the audit criteria that should be applied by the SAI.
- C. The nature of the conclusions and other results that the SAI is required to reach and report on.
- D. The intended users of the SAI reporting.

The following sections 3A-D describe the extent to which SAIs' auditing assignments are regulated with regard to the above-mentioned four key features. The sections are defining the general concepts that have emerged from the mapping and which can be used to describe and compare different SAI auditing tasks. The concepts and definitions provided thus represent the main results of the mapping.

In the annex to this document the key definitions and distinctions presented in sections 3A-D are presented in a glossary (Table 1) and further applied to the mandates of the 37 selected SAIs. Table 2 provides a general overview of the assignments of the selected SAIs. In Tables 3-9 of the annex, the provisions of the SAI mandate on each assignment are presented in the left-hand column. The right-hand columns indicate how the individual assignment can be described using the concepts defined in sections 3A-D. The annex includes the following tables:

- ▶ Table 1: Glossary of the key definitions
- ▶ Table 2: General overview of the assignments of 37 selected SAIs.
- ▶ Table 3: The provisions of the mandates of the selected SAIs in AFROSAI
- ▶ Table 4: The provisions of the mandates of the selected SAIs in ARABOSAI
- ▶ Table 5: The provisions of the mandates of the selected SAIs in ASOSAI
- ▶ Table 6: The provisions of the mandates of the selected SAIs in EUROSAI
- ▶ Table 7: The provisions of the mandates of North America
- ▶ Table 8: The provisions of the mandates of the selected SAIs in OLACEF
- ▶ Table 9: The provisions of the mandates of the selected SAIs in PASAI

A. The scope of the audit assignment

The mandates of the SAIs reflect that SAIs have a general function within the constitutional arrangement. The constitutional arrangements vary from one country to the next, but they all entail a certain distribution of powers and responsibilities between bodies with budgetary, legislative, judicial, executive authority or more general constitutional authority. In some countries the basic provisions governing the SAI are provided for by the written constitution or a semi-constitutional act (loi organique) or constitutional practice. For all the assessed SAIs it turned out that the more elaborate provisions on their auditing mandates was found in statutory acts, stipulating, for instance the SAI's relations to other bodies within the constitutional order.

ISSAI 1 The Lima Declaration states, as a founding principle of INTOSAI, that the concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Audit is not an end in itself, but an indispensable part of a regulatory system whose aim it is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent - or at least render more difficult - such breaches (ISSAI 1/I.1).

The mandates of the SAIs are in line with these principles. The overall purpose of an SAI's general auditing function can be described as follows:

- providing accountability, transparency and encourage continuous improvement in the management of public funds;
- facilitating the functioning of those bodies within the constitutional arrangement, which are exercising general monitoring and corrective functions over those responsible for the management of publicly funded activities.

In addition to the task of auditing, certain SAIs have a range of other functions. The scope of the mapping has been limited to **the audit assignments of SAIs**, defined as the tasks that are to be performed by a SAI - or other public sector auditor - in accordance with a legal mandate in order to enable the SAI to express conclusions supported by sufficient appropriate evidence on whether public authorities or other publicly funded entities have observed requirements that follow from their responsibility for management of public funds and publicly funded activities.

As for other tasks within the broader family of accountability and assurance activities, the conduct of such tasks involves a relationship between at least three parties: The responsible party, the intended users and the auditor. The SAI mandates reflect as a minimum the following three parties:

- the public authorities or publicly funded entities with responsibility for the management of public funds or publicly funded activities (the responsible party);
- the bodies within the constitutional arrangements that exercise general monitoring and corrective functions (the intended users);
- the SAI that is conducting a task of auditing in order to enhance the ability of the intended users to consider the extent to which public authorities or other publicly funded entities have observed requirements that follow from their responsibility for the management of public funds (the auditor).

The auditing conducted by SAIs serves the civic society and general public as well as the intended users that are explicitly mentioned in the mandate. SAIs are public authorities and exercise their function by virtue of their legal status and office. They may belong to the legislative, executive, judicial branch of government or be established separately from these.

The Lima Declaration distinguishes between **pre-audits** and **post-audits**. Pre-audits are a before the fact type of review of administrative or financial activities. Post-audit is audit after the fact. (cf. ISSAI 1/I.2)

The focus of the mapping has been the post-audit assignments of SAIs. However, information on pre-audits by the individual SAI can be found in the annexed tables, when considered relevant for the sake of completeness.

The scope of mandate may be defined in different ways

The mandates give the SAIs a general audit responsibility of a certain scope. The scope may be defined in terms of the level of government, such as state or federal level, the level of local or regional authorities, the level of specified organizations or in some instances, a range of specified individuals with specific responsibility for the management of funds.

At each of these different levels, the scope of the SAI's assignment may be further defined in terms of the objects that are to be audited. Such provisions in the mandates may, for instance require the SAI to audit:

- Policies, programs or statutes of law and the implementation thereof.
- Budgets, budget sections, appropriations and other decisions on allocation and the implementation thereof.
- Legally defined areas of responsibility, such as the responsibilities of ministers.
- Organizations defined by their legal foundation, ownership, source of financing or the character of their activities.
- Activities defined by their source of financing, like for instance international donors.
- Specific categories of income or payments or assets or liabilities.
- Reported financial statements or other reports.

As the annexed tables illustrate, none of these different approaches can be perceived as a general norm that is followed internationally by legislators. The way in which the scope of the mandate is defined reflects the specific national context.

Detailed and less detailed audit assignments

Audit tasks are generally performed by gathering audit evidence in order to evaluate a subject against a set of auditing criteria and express a conclusion about the outcome of this evaluation. The **audit objective** of a SAI audit task is defined by:

- the subject about which the conclusion is to be expressed;
- the audit criteria against which the auditor has to evaluate the subject;
- and the type of conclusion the auditor has to express.

The mapping shows that the audit objectives of SAIs are partly regulated by the mandates: Most SAI mandates provide important provisions on the audit objectives, but some mandates describe subject, audit criteria as well as type of conclusion in full. It differs whether it is the subject, the audit criteria or the conclusions that are regulated in detail.

The mapping also shows considerable variations in the level of detail concerning the description of the assignments in the mandates. On the basis of their mandates the SAIs exercise discretion with regard to the task they undertake (cf. ISSAI 10/3). Based on the assignments provided by the mandate, a SAI may therefore further define and combine different auditing tasks to form its **general audit strategy**. In addition a few SAIs are mandated to issue auditing standards that may apply to the SAI itself as well as other auditors

performing tasks in the public sector. Where relevant and possible the overview provided in the annexed tables contains supplementary information on the current practice of the SAI as defined by such standards and the SAI's general auditing strategy.

The conditions for the conduct of audits by the SAI

Even if the mandate contains detailed provisions defining the scope of the SAI's responsibility in terms of range of objects, this does not necessarily mean that the SAI needs to audit all relevant aspects in relation to each of the listed objects each year; SAIs often have discretion to prioritize their tasks in light of the resources available. A number of mandates describe the conditions that decide whether the performance of certain audit tasks is an obligation for the SAI or can be undertaken at the SAI's discretion.

Through the mapping the following distinction has been developed:

Fixed tasks are tasks of auditing of a certain subject that a SAI or public audit authority is required to perform for each object at certain time intervals.

Discretionary tasks are tasks of auditing that the SAI or public audit authority is required to initiate at its own discretion. The SAI or public audit authority may have discretion with regard to the choice of objects selected for auditing and/or the specific subject of the auditing task. Exercising this discretion involves professional judgments about the significance of auditing subjects (the extent to which the conclusions reached by an audit of the subject are likely to enhance the oversight, insight and foresight of the authorities exercising monitoring and corrective functions, or lead to improvements in the management of public funds).

Requested tasks are tasks of auditing that the SAI or other public sector auditor is obliged to carry out upon request from specified bodies in order to facilitate the monitoring and corrective functions exercised by these bodies within the constitutional system. In each case the subject of the audit is determined by the request.

Negotiated tasks are tasks of auditing that the SAI or another public sector auditor has been engaged to carry out. The engagement is based on a mutually binding contract with a party, which has a responsibility for the management of public funds involved in the audited object. In each case the subject and audit criteria are determined by the terms of the engagement.

SAIs' cooperation with other auditors

Some mandates also provide that the SAI is to perform some of its duties in cooperation with other public sector auditors or the mandate reflects a division of responsibilities in relation to such auditors. The mapping has identified the following relevant public sector auditors who may perform certain tasks that contribute to enabling the SAI to express its conclusions:

A public audit authority is a permanently established body or audit function that has a general responsibility under public law for the public audit of a range of entities or other objects defined by their legal status, geographical location or the nature of the public funding. Public audit authorities act, by virtue of their office, under such obligations and responsibilities that follow from their auditing mandate. They observe the objectivity and neutrality that follow from the nature of their office and function.

An **engaged auditor** is an auditor or auditing firm that has been engaged by an agreement to undertake tasks that are part of an assignment of public audit. The engagement requires the acceptance of the engaged auditor as well as the other contracting party and may be ended by the contracting parties under agreed conditions. The obligations and responsibilities of engaged auditors arise from the terms of the agreement and the general professional authorisation that the auditor may have to undertake such

engagements. This authorisation may include the observation of pronouncements by the International Federation of Accountants or other professional standards.

An **internal auditor** is an auditor or audit unit that is established by those responsible for the management of public funds as described in more detail in [exposure draft] INTOSAI GOV 9140 and 9150. The fundamental auditing principles and implementation guidelines may be applied in total or in part by internal auditors in the conduct of their work as part of an established cooperation with a SAI or other public audit authority.

Depending on the situation, the cooperation between the SAI and other auditors may take different forms:

In a **joint audit** the participating SAIs and other public sector auditors audit the same organizations (or other objects) with regard to the same audit objectives. In a **parallel audit** each participating SAI or other public sector auditor, audit different parts of the organizations (or other objects), but the audit tasks are pursuing the same audit objectives. Each participating SAI or other auditors may, for instance be responsible for audits within different geographical areas. In joint audits and parallel audits each SAI or other auditor act in their own capacity and are responsible for drawing their own conclusions based on the audit evidence obtained. The auditors exchange and compare their results on a mutual basis and may decide to issue joint reports to the extent it serves the intended users.

Depending on its status and mandate, a SAI may also **rely on the work of other public sector auditors**. In this form of cooperation the SAI is to provide a general conclusion which covers organizations (or other objects or components of these) that are also audited by other public sector auditors. The SAI therefore determines how the work of the other public sector auditors affects the audit of the SAI and may perform procedures to obtain sufficient appropriate evidence that the work of the other public sector auditors is adequate for the SAI's purposes. By virtue of its general status or specific provisions of its mandate, the SAI may require the relevant other auditors to include the audit objectives that are relevant for the SAI in its auditing and to follow the appropriate principles and standards relevant for the auditing task. Depending on the situation, the SAI may further have access to the documented audit evidence upon which the other auditors base their conclusions and/or the possibility of requesting their direct assistance to perform specified audit procedures.

Examples of the use of engaged and internal auditors

Federated States of Micronesia

The accounts of the National Government of the Federated States of Micronesia and the accounts of the four state governments are audited yearly in accordance with the US Single Audit Acts. The Single Audits are out-sourced to external certified public accountant firms i.e. engaged auditors. The Public Auditor of the Federated States of Micronesia has full oversight over the Single Audits and relies on the work of the external auditor¹.

Denmark

In Denmark the Auditor General may arrange with the ministries that audit tasks within their resort shall be performed in a specified defined cooperation between the Auditor General and an internal audit body i.e. an internal auditor. The internal auditors report to the Auditor General and the ministry which they audit, and the Auditor General rely on the work of the internal auditor².

¹ Federated States of Micronesia - Assignment 3: Single Audits

² Denmark - Assignment 1: Audit within the scope of the state accounts

B. The subject and audit criteria

The subject about which a conclusion should be expressed

The audit assignment of a SAI may concern any subject of relevance to the responsibility for the management of public funds in relation to the range of objects falling within the scope of the mandate. A specific audit task may concern all such responsibilities or be limited to a more specific subject.

Some mandates do not only describe the range of organizational entities or other objects falling within the scope of the SAI's responsibility to audit; some mandates also describe the more detailed subject matter about which the SAI should conclude, like for instance:

- The strategic planning, planning of capacity and activities, budgeting and target setting.
- The collection of taxes and revenues, grants or other payments.
- Allocation of grants and other imbursements.
- The acquisition of capacity and resources and payment of other expenses.
- The production of goods and services or performance of other activities.
- The management and protection of tangible and intangible assets and liabilities.
- Registration, accounting and internal control.
- Ongoing supervision and control with management of funds at subordinate entities.
- Processes of evaluation and initiatives to seek improvements.
- Public reporting provided by those responsible for the management public.
- Information provided by those responsible for the management public funds to authorities exercising monitoring and corrective functions.

The mapping has made one general distinction with regard to the subject; the conclusion to be expressed may either concern a **subject matter** directly or **subject matter information** reported by those with responsibility for the management of public funds. When expressing a conclusion concerning a subject matter, the task of the SAI is to conclude whether a certain subject matter, like for instance internal controls, conforms to the applicable requirements (the audit criteria). It is thus the SAI that evaluates the subject matter against the criteria. When expressing a conclusion concerning subject matter information the task is to conclude whether the information provided by a party with responsibility for the management of public funds is reported in all material respects in accordance with an applicable reporting framework. In this case, the responsible management has evaluated the subject matter and is presenting the results in a report.

The different audit criteria – branch of auditing and type of requirements

Many mandates contain important provisions that in general terms describe **the audit criteria** that should be considered by the SAI. This seems to reflect the fact that legislators in many countries have considered such provisions to be key to provide the SAI with the competencies required to enable it to fulfil its functions. From the viewpoint of the legislators, the SAI is a mechanism of control with the administration and the provisions on the audit criteria define the scope of this control mechanism.

The provisions on the audit criteria generally reflect requirements, which in the national context follow from the responsibility for the management of public funds. They are therefore described in many different ways using different terms.

The mapping suggests that there are two general dimensions that should be considered in order to describe the scope of an audit assignment of a SAI in terms of audit criteria, i.e. the SAI may be required to apply different audit criteria belonging to different branches of auditing (cf. section 1 below), which may be further defined by different types of requirements (cf. section 2 below).

1. The assignment may include tasks of financial, performance and/or compliance auditing:

Financial auditing is a branch of auditing where the audit criteria applied by the auditor are requirements that serve the purpose of ensuring reliable recording and reporting of historical financial information.

Performance auditing is a branch of auditing where the audit criteria applied by the auditor are requirements that serve the purpose of achieving economy, efficiency and effectiveness in publicly funded activities.

Compliance auditing is a branch of auditing where the audit criteria applied by the auditor are requirements that serve the purpose of ensuring that public funds are obtained and used in accordance with law and propriety.

2. The assignment may concern process, outcome and/or reporting requirements:

The audit criteria are requirements that follow from their responsibility for management of public funds and publicly funded activities. These requirements may include the following types of requirements:

Process requirements are requirements relating to the processes and systems used in the management of public funds. This may include requirements to follow principles of sound financial management and take appropriate measures to ensure that public funds are obtained and used as intended.

Outcome requirements are requirements relating to the outcome that should be achieved as a result of the measures taken by those entrusted with the management of public funds. These may include requirements relating to how public funds should be obtained, how they should be used and the results that should be achieved through the funded activities.

Reporting requirements are requirements relating to the information to be reported by those responsible for the management of public funds. The information to be reported may concern the processes of management and the measures taken to ensure the intended outcome as well as the outcome achieved. This may be financial or non financial as well as historical or prospective information.

The distinction between financial, performance and compliance as well as process, outcome and reporting defines *categories* of audit criteria, i.e. there can be different types of, e.g. financial auditing and process requirements.

The mapping shows that some SAI assignments are limited to either process, outcome or reporting requirements while others concern all three types or leave it up to the SAI to define whether there should be any such limitations.

There are also many examples of assignments defining that the audit criteria to be considered by the auditor in the conduct of the audit should or may include criteria from one or more of the branches of public auditing. There are also many examples of assignments where other terms have been used in the (English translation of) the mandate, but where it is possible to classify the tasks in accordance with the distinction process/outcome/reporting criteria and/or with regard to financial/performance/compliance auditing.

Examples of audit criteria defined by the mandate

Canada

When auditing the financial statements or other reports of the national government or the financial statements or other reports of organizational units further defined by the mandate, the Auditor General of Canada conducts the audit within the branch of financial, compliance and performance audit. Furthermore the audit has to call attention to anything that the Auditor General considers to be of significance and of a nature that should be brought to the attention of the House of Commons, including any cases in which she has observed that

- accounts have not been faithfully and properly maintained or public money has not been fully accounted for or paid, where so required by law, into the Consolidated Revenue Fund;
- essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property, to secure an effective check on the assessment, collection and proper allocation of the revenue and to ensure that expenditures have been made only as authorized;
- money has been expended other than for purposes for which it was appropriated by Parliament;
- money has been expended without due regard to economy or efficiency;
- satisfactory procedures have not been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented; or
- money has been expended without due regard to the environmental effects of those expenditures in the context of sustainable development.

In the case of Canada the audit criteria thus includes process, outcome as well as reporting criteria.

Kuwait

As the State Audit Bureau of Kuwait audit the public sector in general, regional or local level government and/or organizational units further defined by the mandate they conduct the audit within the branch of financial and compliance audit. Furthermore the audit of certain subjects which are specified in the mandate concerns process requirements³.

In general, the assignments that can be clearly referred to one or two of the branches of auditing outnumber the assignments where the mandate clearly defines whether the audit criteria are process, outcome or reporting requirements. This confirms that financial/performance/compliance auditing is the primary distinction, while the concepts process, outcome and reporting requirements may be used to describe any further boundaries of an audit assignment. For example, an assignment of compliance auditing may concern only certain process requirements or may require the SAI to audit also the way funds are used against the relevant outcome requirements stated in an act of law. A financial audit assignment may require the SAI to conclude whether financial statements have been produced in accordance with relevant reporting requirements, or it may in addition require the SAI to express conclusions on whether the processes of accounting are in compliance with relevant process requirements.

The relationship between the two dimensions of distinction seems to be that:

- The audit criteria of a financial audit assignment may be defined by the mandate as either process and/or reporting requirements (outcome requirements in financial audits appear to be quite rare).
- The audit criteria of a compliance audit assignment may be defined as process or outcome requirements (reporting requirements are rare).
- The audit criteria of performance audits may be defined as process or outcome requirements (reporting requirements be relevant in cases where those responsible are required to report on their performance).

³ Kuwait – Assignment 1: Compliance, performance and special assignments

C. The conclusions to be reached

The mapping has provided information on how the mandates define the nature of the conclusions that a SAI has to reach. In light of the PSC Steering Committee's discussions it was decided from the outset to distinguish between:

1. Conclusions expressing assurance: Is a conclusion designed to enhance the degree of confidence of the intended users that public authorities or other publicly funded entities have observed the requirements that follow from their responsibility for the management of public funds. These are conclusions expressed in a statement of a standardized format containing an unqualified or qualified opinion.

2. Other types of conclusions used by SAIs: These are conclusions that are reported together with the appropriate evidence in order to provide further transparency and accountability in the management of public funds and encourage improvements in the use of public funds.

Conclusions expressing assurance

The mapping has considered the extent to which the mandates describe the level of assurance to be expressed by SAIs. The concept of level of assurance is based on the standards issued by the International Federation of Accountants (IFAC) rather than on INTOSAI's Fundamental Auditing Principles (ISSAI 100-999) as they are at present. PSC's Subcommittee on Financial Auditing (FAS) has wished to obtain information on the extent to which SAIs are assigned to express conclusions with different defined levels of assurance.

When conducting an audit to express assurance, the auditor performs procedures to gather audit evidence in order to reduce the risk that the auditor expresses an inappropriate conclusion. Drawing on the IFAC standards, the **level of assurance** can be defined as the degree to which the risk of expressing an inappropriate conclusion has been reduced in the circumstances of the audit task.

The IFAC standards further distinguish between:

Forms of expression that convey "reasonable assurance": The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the conclusion. For example: "In our opinion internal control is effective, in all material respects, based on *XYZ criteria*."

Forms of expression that convey "limited assurance": The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the conclusion. More specifically an engagement to review financial statements "provides a **moderate level of assurance** that the information subject to review is free of material misstatement". The conclusion is expressed in the negative form, for example, "Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control is not effective, in all material respects, based on *XYZ criteria*."

The legislators have generally left it to the SAIs to define the level of assurance that the SAI needs in order to express conclusions. None of the mandates of the SAIs assessed include an explicit description of the level of assurance to be provided. Furthermore, mandates only rarely make clear references to the concepts of providing assurance. Instead they use a range of other expressions like "provide an opinion" or "verify that", which, depending on the context, often implies that the SAI is to express assurance about the matter.

As will appear from the annexed tables, a range of mandates requires the SAI to comply with specific auditing standards. These may imply that the SAI is obliged to use the distinction between “reasonable” and “limited” assurance. In a few other cases the SAI has been given the function of defining the applicable audit standards and have decided to issue or make use of national standards that prescribe a distinction between reasonable and limited assurance. Other SAIs are using the distinction between reasonable/limited assurance to define the different tasks of their general audit strategy.

In a number of cases the regional representatives in the PSC Steering Committee have contacted the SAIs to ensure that the interpretation of the mandate on this point was correct and to obtain further information on whether the task was defined as a task of either “reasonable” or “limited” assurance. It has not been possible to assess whether more than a few SAIs are performing tasks of “limited” assurance on a regular basis or expressing conclusions in a way similar to that prescribed by IFAC/IAASB with respect to assurance engagements. Based on the information obtained such tasks seem rare.

The general conclusion is thus that when a SAI is expressing assurance in its conclusions, it gathers the sufficient appropriate audit evidence and expresses its conclusion in a way that reflects the level of assurance achieved. Depending on the powers of discretion provided by the mandate to the SAI this means either that the SAI chooses the wording that best serves the bodies within the constitutional order to which they report or that the SAI follows the wording defined by the IAASB standards for either “reasonable” or “limited” assurance engagements.

Other types of conclusions used by SAIs

All mandates reflect that SAIs report their conclusions to those bodies within the constitutional arrangement that are exercising general monitoring and corrective functions over those responsible for the management of publicly funded activities. The SAI of the US and the INTOSAI Capacity Building Committee have summarised this function as providing *oversight, insight and foresight* to parliament or other relevant bodies. In the mapping, the following general categories of conclusions have been identified, all of which have the further purpose of providing for transparency and accountability in the management of public funds:

An assessment is a set of conclusions supported by sufficient appropriate evidence in a style and format designed to provide for transparency and accountability in the management of public funds. Depending on the outcome of the audit, the conclusions may be of an affirmative or informative nature or point to the need to take action by expressing criticism of a past or current practice in the management of public funds, or provide recommendations on how management can be improved. The mandate may in some cases provide for a procedure according to which the SAI can follow-up on whether appropriate actions have been taken in light of the findings and recommendations. In practice, assessments may be reported in a **long form report**, though the format of the report are generally not defined by the mandate.

An investigative audit provides a set of conclusions supported by sufficient appropriate evidence as to whether identifiable individual persons have observed the requirements that follow from the responsibility they have by virtue of their office or actions for the management of public funds. The conclusions are designed to serve the purpose of taking a legal decision on corrective actions or measures to make those accountable accept responsibility, to obtain compensation, or to take other preventive steps (cf. ISSAI 1/Principle 1). The legal decision may be a decision which is to be taken by the intended users or it may be a decision which is to be taken by the SAI or public audit authority itself, if in addition to its public auditing function it has such competencies. The decisions may include:

- Formal decisions to be taken under the constitutional or general public law in order to initiate a process which may result in sanctions under the general penal or civil law or other legal provisions applicable to civil servants.
- Decisions on whether a case should be referred to the law enforcement authorities (in the case of *forensic auditing*).
- Other administrative decisions on sanctions or other corrective measures with implications for individuals involved, for instance with respect to employment.
- Decisions of *discharge*.

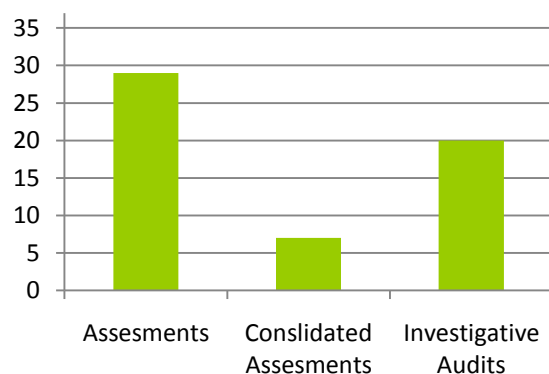
A decision of discharge is a formal decision taken by a body exercising monitoring and corrective functions within the constitutional system whereby a party with responsibility for management of public funds is granted discharge from responsibilities by virtue of the office related to a specific period in time.

Decisions on discharge are taken on the basis of the results of performed auditing tasks. If the granting of discharge involves decisions concerning the responsibility of identifiable individual persons and may lead to corrective actions directed at the persons involved, the auditing task will be an audit investigation. Decisions of discharge may also be taken on the basis of opinions through which the SAI is conveying assurance to the appropriate body that the requirements relevant for the decision of discharge have been observed in all material aspects.

The mapping shows that most SAIs are also required to provide conclusions with a purpose beyond that of expressing assurance: the mandates of 29 of the 37 selected SAIs provide assessments, approximately 7 of the 37 selected SAIs provide consolidated assessments and 20 of the 37 selected SAIs make investigative audits – some in the form of integrated investigative audits.

Assessments and investigative audits are assignments where the conclusions concern the *subject matter* directly rather than the reliability of subject matter information reported by those with responsibility for the management of public funds. The mapping shows that these auditing tasks are performed by almost all SAIs and are common throughout the world. They can further be considered particularly characteristic of SAIs compared to other bodies with audit functions – such as internal auditors or the range of services offered by auditing firms.

Number of SAIs providing other types of conclusions



Examples of different styles of conclusion

China

When conducting general auditing the audit institution shall, in accordance with the procedures specified by the National Audit Office, produce its audit report after deliberating the audit team's report and analyzing the auditee's comments. Where violations of State regulations governing government and financial revenues and expenditures should be dealt with or punished in accordance with law, it shall, within the limits of its

statutory functions and powers, make an audit decision or put forward to department in charge its suggestions as to how to deal with or punish the violations.⁴

France – Decision of discharge

By delivering a ruling, the Cour (the Cour des Comptes) grants the accountant discharge when the accounts are regular but places him in financial liability in case of income foregone or expenditure irregularly paid (i.e. repayment order – mise en débet⁵

Combined conclusions

There are many examples of assignments that provide for reporting to more than one kind of intended user. The different needs of ensuring effective reporting to the parliament, the head of state or other constitutional bodies as well as providing conclusions about the individual organizations mean that SAIs often have to combine different styles of conclusions.

The mapping shows that the following combinations are frequently used. In many cases they are directly provided for by the mandate:

Complementary assessments provide conclusions on one or more subjects in a report that also provides an opinion on a related, but not identical subject. The opinion expresses a level of assurance that public authorities or other publicly funded entities have observed requirements relevant for the subject. The complimentary assessment serves to provide intended users with further insight into the subject matters.

Consolidated assessments provide general conclusions based on the results of the assurance tasks or audit investigations concerning a range of audited objects within the scope of the mandate. The opinions express a level of assurance concerning each object. Based on these, the consolidated assessment provides the intended users with a set of general conclusions concerning the management of public funds involved in the range of objects.

Integrated investigative audits are carried out as part of an assurance task or assessment. The investigative audit may, for example evolve in response to suspicions of misconduct arising during the performance of an assurance or audit assessment task.

This analysis of the SAIs mandates concerning the conclusions to be reached describes the essential tasks of public sector audit. The basic function of SAIs is to provide audit or assurance services by comparing economic information with a framework for financial reporting, and to produce knowledge derived from the conduct of audit investigations, which creates the basis for the implementation of corrective actions. This is the central foundation for a future ISSAI Harmonization Project of the Fundamental Auditing Principles.

D. The intended users of the SAI's reporting

In countries where a parliament is exercising the general monitoring function, the mandate of the SAI generally includes provisions regulating the SAI's reporting to parliament. Similar provisions on reporting are found in countries where the relevant constitutional body performing the general monitoring function is the head of state rather than the parliament.

⁴ China – Assignment: General auditing

⁵ France – Assignment 3: Control for the purpose of accounts judgment

In most cases the executive branch of government is involved through procedures of contradiction (i.e. a dialogue between the SAI and the entity under audit) or is informed about the results together with the parliament or head of state. The mapping shows that *requested tasks*, *assessments* and *conclusions expressing assurance at a global level* - such as the state accounts or implementation of the national budget – are generally reported to the parliament. These can therefore be considered core tasks of a SAI in countries where the parliament or head of state is the relevant constitutional body.

For 10 out of 12 SAIs that are required to take up requested tasks it is defined by their mandate that these should be reported to the parliament, 26 out of 29 SAIs which make assessments report to the parliament and 6 out of 8 SAIs which are explicitly required to express assurance regarding the state accounts or national budget implementation (global level) report to the parliament. In the remaining cases these reports are normally addressed to the head of state.

Whether the mandates contain provisions on the reporting of conclusions expressing assurance at the level of individual organizations varies considerably. There are examples from a few countries where the results of such assignments are reported to the cabinet of ministers rather than to the parliament or head of state. There are also examples where results of this nature are reported to the audited organization and/or the general public. In many cases, the mandate provides a general mechanism that allows the SAI to report on the overall results to the parliament or head of state in a general form, for instance in a yearly report, or the mandate may provide for ad hoc reporting if issues deemed of special significance by the SAI should emerge.

This mapping of the intended users of SAI reports demonstrates that the legal mandates of SAIs are emphasising audit assignments as an integrated part of the governance system in a context of accountability.

4. The mapping of SAI legal mandates - other assignments than auditing

In addition to the auditing function, many SAIs have further assignments that are falling beyond the scope of a SAI audit assignment as defined above, like for instance:

- Comptroller general functions.
- Function as ombudsman or in connection with formal procedures of petition or whistle blowing.
- Decision-making competencies, including competencies to issue auditing standards.

Other assignments than auditing have not been included in the mapping. However, when applying the concepts of SAI auditing assignments defined in sections 1-4 to the text of the mandates, it has been necessary to consider how auditing assignments can be distinguished from other SAI assignments. For the purpose of such a distinction, the representatives of INTOSAI's regions within the PSC Steering Committee have especially considered the concepts of *counselling* and *prescribed or agreed upon procedures*:

Counselling is a situation in which the SAI or other public sector auditor is using its general professional competencies and responsibilities to provide advice. The mandate of SAIs may require or allow them to provide advice on relevant matters to those responsible for the management of public funds as well as to parliaments, heads of state or other bodies with general monitoring and corrective functions within the constitutional order. The staff of SAI or other public sector auditors may further provide advice of a more formal nature to management of audited bodies. Counselling differs from *recommendations* in that recommendations result from an assessment or investigative audit and are based on sufficient appropriate evidence that has been gathered through the performance of audit procedures.

Prescribed procedures is a situation in which the SAI or other public sector auditor is to carry out certain specified audit procedures. The auditing procedures are specified by the mandate or another legal instrument to a degree that constrains the independent professional judgment, which the SAI or other public sector auditor may exercise in order to select audit procedures that will enable the SAI or other auditor to express conclusions based on sufficient appropriate evidence. In case the procedures have been agreed upon by the SAI by means of a contract the task may also be referred to as *agreed upon procedures*. Prescribed procedures differ from *fixed* and *requested* where the subject, but not the audit procedures, may be determined by the mandate or request. Agreed upon procedures similarly differ from *negotiated tasks* where the subject as well as audit criteria are agreed by contract – not by the audit procedures.

5. Recommendations in relation to the ISSAI Harmonization Project

Based on the results of the SAI mapping, the regional representatives of the PSC Steering Committee have agreed on the following recommendations in relation to the update of the Fundamental Auditing Principles under the ISSAI Harmonization Project.

A. The general function of SAIs should be the starting point

The mandate of the SAIs reflects that SAIs exercise a function within a constitutional arrangement with a distribution of powers and responsibilities between bodies with budgetary, legislative, judicial, executive authority or more general constitutional authority. The general purpose of their audit is to provide accountability, transparency and encourage continuous improvement in the management of public funds in order to facilitate the functioning of those bodies within the constitutional arrangement, that exercise general monitoring and corrective functions over those responsible for the management of publicly funded activities. In line with the Lima Declaration (ISSAI 1/Principle 1) this function must be the point of departure for defining basic concepts in the Fundamental Auditing Principles.

B. The relations to the general family of auditing, assurance and accountability tasks should be maintained

The Fundamental Auditing Principles should maintain that the auditing by SAIs belongs to the general family of auditing, assurance and accountability tasks. Like other such tasks audits by SAIs are performed by gathering audit evidence in order to evaluate a subject against a set of auditing criteria and express a conclusion about the outcome of this evaluation. The principles should also reflect that SAIs have been established by legislators in order to conduct an audit function with certain distinctive features:

Compared to internal audit functions:

- SAIs are external auditors that should enjoy strong protection of their independence as defined by ISSAI 10 The Mexico Declaration on SAI Independence.
- This means, for instance that the primary intended users of their reports include other bodies (e.g. a parliament or head of state) than those parties who are responsible for the subject matter (e.g. ministries).

Compared to auditing by auditing firms (chartered accountants):

- A SAI has a general and permanent responsibility provided for by the national constitution or an act of law for the audit of a range of further defined objects.
- SAIs are public authorities and perform their duties by virtue of their office. SAIs have certain obligations under public law – e.g. to observe impartiality – and have been granted certain powers to facilitate their effective auditing, e.g. to exercise discretion, to require information and to take and/or enforce certain decisions. Within the national context, SAIs may be considered to belong to the parliamentary, executive or judicial branch of government or as an independent audit authority with no attachment to any of those.
- SAIs are established and financed in ways that ensure a high degree of economical independence from the audited organizations. The risk that a SAI undertakes tasks that are inappropriate or is involved in a conflict of interest in the conduct of audits is therefore minimal.
- The general purpose of audits by SAIs is to conclude whether public authorities or other publicly funded entities have observed requirements that follow from their responsibility for management of public funds and publicly funded activities. Further descriptions of the subject and audit criteria are often provided in the SAIs' mandates and they often require the SAI to perform compliance and performance auditing in addition to auditing of financial statements.

C. Maintain the powers of SAIs to exercise full discretion

For some SAIs, the key features of the tasks that they are required to perform are described by an act of law or in some cases by the national constitution. For other SAIs, the mandate provides only limited provisions on the auditing. In line with the Mexico Declaration on SAI Independence (cf. ISSAI 10/Principle 3) the Fundamental Auditing Principles should maintain that SAIs exercise full discretion to further define and combine different kinds of auditing tasks provided for by their mandates into a general auditing strategy.

D. The need for flexibility in the Fundamental Auditing Principles

SAIs are mandated to perform different tasks. No SAI is mandated to perform all the different tasks identified in the mapping. Based on the mapping, the Fundamental Auditing Principles should describe the different tasks that a SAI may perform in accordance with its mandate and its general auditing strategy. The Fundamental Auditing Principles should define and describe the different tasks and provide further recommendations relevant to each kind of task. The principles should be kept in such general terms that they will not require adjustment for many years. The principles should provide explicit references to the further guidance provided in the implementation guidelines at level 4 (ISSAI 1000-4999). These guidelines have been developed to provide useful practical guidance to be used by auditors in their conduct of the individual auditing tasks. They may have a more specific scope of application and may be updated and developed on in a more continuous process.

E. Maintain the classification of the three general branches of auditing

The mapping confirms that the assignments of SAIs can generally be classified as financial auditing, performance auditing, compliance auditing or combinations thereof. The mapping shows that a wide range of other terms are also used in many of the mandates to describe the different tasks which are to be performed. The Fundamental Auditing Principles should describe financial, performance and compliance auditing as 3 general branches of auditing in order to provide a broad framework for categorizing different auditing tasks with regard to the nature of the audit criteria applied. The mapping has further found a few examples of SAI auditing assignments which are difficult to refer to these three branches of auditing. The Fundamental Auditing Principles will therefore need to leave the possibility open that there may be “other assignments”. For each of the three branches of auditing, the Fundamental Auditing Principles should provide INTOSAI’s key recommendations on the assessment of risks and materiality, the consideration of audit criteria and the auditing methods used to gather audit evidence.

F. The need to describe further key features of different SAI audit tasks in order to provide clear recommendations

Any task of financial, performance or compliance auditing is further characterized by other key features identified in the mapping of SAI mandates. These include among others:

- Whether the assignment provides for **fixed audit task, discretionary tasks, requested tasks or negotiated tasks** as defined by the mapping report.
- Whether the purpose is to provide conclusions at the level of individual organizations or the general state administration (e.g. the budget execution or state accounts)
- Whether or not the conclusions of the individual auditing task is to be reported to the parliament or other bodies within the constitutional arrangement that are exercising general monitoring and corrective functions over those responsible for the management of publicly funded activities.

The Fundamental Auditing Principles should contain useful recommendations on all post-audit tasks, while recognizing that the relevant recommendations depend on the key features of the task that is to be carried out. Each recommendation should therefore either apply to all such tasks or explicitly state the kind of tasks to which it applies. The first document of the Fundamental Auditing Principles – ISSAI 100 – should outline the necessary distinctions.

G. The need to distinguish between different styles of conclusion

The mapping shows that the auditing by SAIs may result in different styles of conclusions. In order to provide clear and relevant recommendations on the process of conducting an audit and drawing conclusions based on the audit evidence, the Fundamental Auditing Principles will need to distinguish between:

- a. Conclusions designed to express assurance: These are expressed in a statement of a standardized format containing an unqualified or qualified opinion. Such conclusions serve to enhance the degree of confidence of the intended users that public authorities or other publicly funded entities have observed requirements that follows from their responsibility for the management of public funds.
- b. Other styles of conclusions used by SAIs: These are authoritative conclusions that are reported together with the appropriate evidence in order to provide further transparency and accountability in the management of public funds and encourage improvements in the use of public funds.

Individual SAIs may place different emphasis on these different styles of conclusions. For some SAIs and regions conclusions expressing assurance (category a) may appear the most important for other SAIs or regions conclusions of category b are considered the most important. The regional representatives strongly emphasise that the Fundamental Auditing Principles must recognize both styles on equal terms in order to provide recommendations that reflect the entire INTOSAI community. The mapping also shows that the same auditing task may be reported to different users by different means. The Fundamental Auditing Principles will therefore need to reflect that SAIs combine different kinds of conclusions in order to report to parliament and other intended users.

The conclusions to express assurance

The mapping shows that the mandates may request SAIs to express assurance concerning specific information provided by those responsible for the management of public funds or concerning the conduct and management by those responsible for public funds. The mapping further shows that some tasks to express assurance concern the overall state accounts or budget implementation, while others concern the individual public entities. Generally, the mandates are not reflecting the distinction between “reasonable” and “limited” assurance as defined by other standard setters such as the IAASB or bodies established by IFAC’s national member organizations. The distinction is used in practice by some SAIs. When SAIs express a statement of assurance concerning the overall state accounts or budget implementation in a report to a parliament they often define their statements in a way that suit this purpose and which may deviate from the formula prescribed by other standard setters. The Fundamental Auditing Principles must provide that SAIs express their conclusions in a way that reflects the assurance achieved through the audit. Within the limits of their mandate, SAIs decide on the level of assurance and the wording of their opinions that best serves the parliament and other intended users.

The other styles of conclusions used by SAIs

The mapping shows that the further auditing tasks of SAIs (cf. item b above) may be broadly grouped into:

- **Assessments** providing a set of conclusions supported by sufficient appropriate evidence in response to a selected set of audit questions. Depending on the outcome of the audit, the conclusions may be of an affirmative or informative nature or point to the need to take corrective action by expressing criticism of a past or current practice in the management of public funds or provide recommendations on how management can be improved.

- **Investigative audits** providing conclusions supported by sufficient appropriate evidence as to whether identifiable individual persons have observed the requirements that follow from the responsibility they have for the management of public funds by virtue of their office or actions. The conclusions are designed to serve the purpose of taking a legal decision on corrective actions or measures to make those accountable accept responsibility, to obtain compensation, or to take other preventive steps (cf. ISSAI 1/Principle 1). The conclusions may serve the purpose of taking a decision of discharge or other judicial or administrative decisions, e.g. a decision to refer a case to law enforcement authorities.

The recommendations provided by the Fundamental Auditing Principles on the conduct of such tasks should be developed by experts from the SAIs that are assigned to conduct tasks of this nature. In this process, the extent to which investigative audits should be treated as one kind of task or broken further down into, e.g. forensic auditing, auditing for the purpose of the judicial function of Court of Accounts and further tasks conducted in some regions needs to be considered.

H. The need to recognize the tasks of Courts of Accounts, Auditor Generals as well as other SAIs in all INTOSAI regions

The mapping confirms that it is possible to provide recommendations that can be used by all INTOSAI members if a distinction is made between different kinds of *SAI auditing assignments* rather than between different kinds of *SAIs* (such as the Auditor Generals, Boards or Court models). However, the mapping also demonstrates that the composition of different tasks differs between SAIs of the Auditor General system and SAIs of the Court of Accounts systems. Further, there is a different balance between the different kinds of tasks in different regions of INTOSAI. In order to be useful for all INTOSAI members, the Fundamental Auditing Principles must therefore clearly recognize and reflect that the purpose of gathering audit evidence in order to take decision on corrective measures aimed at individuals is different from gathering audit evidence in order to provide an assessment or in order to express assurance. The Fundamental Auditing Principles must emphasise that it is up to the individual SAI to consider, in light of its mandate and national environment, whether the purpose of its different tasks of financial, compliance and performance auditing is to be defined as expressing reasonable or limited assurance, providing a more general assessment, conducting an audit investigation or a combination of these possibilities.

I. Reporting to different intended users by combining different kinds of conclusions

The mapping further shows that the same auditing task may be reported to different users by different means. Many SAIs combine different styles of conclusion in order to report to parliament and other key users of their products:

- Some SAIs may report only a statement of assurance on the general state budget.
- Some SAIs provide a report containing a statement of assurance on certain subject matters as well as further assessments of related matters of importance.
- Some SAIs provide audit opinions expressing assurance on the level of individual entities and consolidate these into a general assessment, which highlights the most important general matters, and report only this consolidated assessment to parliament.
- Some SAIs are mandated to carry out audit investigations at their discretion when suspicions of irregularities arise in the course of an audit.
- Some SAIs generally combine tasks to express assurance or provide assessment with audit investigations for the purpose of taking a decision on discharge.

The way SAIs combine different styles of conclusion will depend on the individual SAI's resources and national environment. Fundamental Auditing Principles should therefore provide recommendations in relation to generic types of conclusions, including expressions of assurance and the further conclusions used by

SAIs (assessments and audit investigations resulting in a legal decision) and emphasise that these may be combined.

J. Recognizing SAI's cooperation with other auditors

The mapping also shows that a number of SAIs cooperate with other auditors, like for instance other public audit authorities (e.g. regional audit offices), engaged auditors (e.g. chartered accountants) and internal auditors. The fundamental principles should facilitate such cooperation by recognizing that some of the principles, notably recommendations on compliance and performance auditing, may have to be applied by such other auditors and may have to be read by such auditors in conjunction with national standards under which they operate.

K. Clarity regarding assertions of compliance with the ISSAIs

The broad definition of the three branches of auditing (cf. item 5) together with the further distinctions made (cf. item 6) and the categorization of assignments by their different styles of conclusion (cf. item 7-11) will provide flexibility in the Fundamental Auditing Principles and ensure relevance for all SAIs. This flexibility should be combined with a clear definition of what it implies to assert compliance with the ISSAIs. Compliance with the ISSAIs is "voluntary" in the sense that INTOSAI as an organization has neither the intention nor the means to attempt to enforce the application of the ISSAIs. But the ISSAIs should provide for the possibility that a SAI as well as other auditors (cf. item 12) may assert compliance with the ISSAIs. The Fundamental Auditing Principles should therefore provide the relevant range of options on how the assertion of compliance may be expressed. This may include general assertions that a SAI exercise its functions in line with the ISSAIs as well as statements in the auditor's report that a specific task has been conducted in accordance with the ISSAIs. The principles should maintain that SAIs or other auditors who asserts compliance with the ISSAIs must follow the recommendations in the ISSAIs that are applying to the specific kind of task they have been assigned to carry out. The Fundamental Auditing Principles should therefore clearly state the principles applicable to each kind of assignment as defined above with regard to style of conclusion and other relevant distinctions as well as to the different branches of auditing.

Appendix 1 - Methodology

The concepts presented in this report have been developed through a gradual process by considering and comparing a sample of very different SAI mandates. An initial set of definitions was developed by the PSC Secretariat through a pre-study of 15 SAIs in the spring of 2009. At the PSC Steering Committee meeting in June 2009, the regional representatives decided to road-test these definitions by applying them to their own SAIs. Based on this experience the definitions were further elaborated and the regional representatives selected a diverse sample of SAIs in each region. Through a process of applying the concepts to the mandates of an increasing number of SAIs and revising and reconsidering the definitions in light of the information obtained, the regional representatives arrived at the result presented in this report. The full report and the concepts and definitions presented by the report were finally agreed on by the regional representatives at a meeting in Brussels 28-29 January 2010 hosted by the Court of Accounts of Belgium.

The SAIs included in the mapping have been selected by the regional representatives with a view to ensuring that they represent the existing diversity within the INTOSAI Community to the furthest extent possible. The information contained in the report on the individual SAIs is in general publicly available and has been obtained through the websites of the SAIs or by direct correspondence. In some cases, an official English translation of the mandate has not been available, and instead a general description has been provided. For each SAI the mapping describes the assignments provided for by the constitutional or other act of law providing for the SAIs general mandate. In addition the SAIs may have further assignments provided for by special legislation or other instruments. Whenever possible, information on such assignments has been included in the cases considered especially relevant. The regional representatives have send the information provided in the annex for comments to the SAIs included in order to ensure the information provided is as accurate as possible.

Appendix 2 – Further concepts discussed

The regional representatives has found that it is possible and preferable to provide recommendations that can be used by all INTOSAI members if a distinction is made between different kinds of *SAI auditing assignments* rather than between different kinds of *SAIs* (such as the Auditor Generals, Boards or Court models) (cf. section 5, recommendation H). The regional representatives have further found that it is possible to describe the many different tasks a SAI may have by using only a limited set of concepts (Cf. section 5, recommendation E, F and G). It is thus a main result of the mapping that the distinctions made in the mapping are important and also sufficient to describe the many different tasks of SAIs in the fundamental auditing principles. By combining the concepts and distinctions of the “common language” proposed by this report it is possible to describe the various tasks of individual SAIs.

In the analysis and discussions the regional representatives have considered how a range of specific tasks may be described in this way. The regional representatives have considered tasks identified through the mapping as well as those further terms which were known to be commonly used in some regions to describe certain SAI tasks. The following describes the tasks discussed.

1. Tasks of compliance and financial auditing

Some of the mandates reflect the concepts of legality and regularity. These concepts are mentioned in ISSAI 1 The Lima Declaration and the concept of “regularity (financial) auditing” is further defined by the fundamental auditing principles (cf. ISSAI 100/39). In the annexed tables these can be identified by using the distinction between process, outcome and reporting requirements as well as between financial, performance and compliance auditing:

Legality auditing is the conduct of compliance auditing tasks where the audit criteria applied are outcome requirements.

Regularity auditing is the conduct of a combined task involving audit of financial statements as well as further auditing tasks where the subject and audit criteria are of the following kind:

- Process requirements concerning systems for accounting and registration and internal controls of relevance to the financial statements
- Outcome requirements concerning compliance with law and propriety of the transactions reflected in the financial statements.

Among the SAIs included in the mapping there is a number who is mandated to perform **regularity auditing of state accounts**. These are tasks of regularity auditing which results in an opinion whether the overall state accounts are prepared in accordance with the nationally defined reporting requirements. This opinion is combined with further auditing where the audit criteria are process requirements. Regularity audits of state accounts are often fixed tasks. In many cases they result in a report to parliament and/or the head of state or other relevant users, which includes an opinion expressing assurance as well as complementary assessments.

There are also many SAIs which are assigned to perform **audit of the financial statements of a range of organizational entities**. Such entities may e.g. be individual government departments or public or semi-public organizations or companies. These are tasks where the objective is to enable the auditor to express an opinion whether the entities set of financial statements are prepared, in all material respects, in accordance with the applicable reporting framework. This is thus a task of financial auditing where the audit criteria applied are reporting requirements.

The result of the audits of each entity is reported to those responsible for the management of public funds and/or the general public. The individual results are often not reported directly to the Parliament or other bodies with general monitoring functions within the constitutional order. Instead these primary intended users are informed of important findings through a consolidated assessment which is often provided on a yearly basis. In a number of systems the SAI may also have a general possibility to report on any important matters on an ad hoc basis.

There are also a number of SAIs which have tasks of financial and compliance auditing which do not result in an opinion concerning a report. These are tasks where the conclusions to be provided concern the subject matter itself rather than the subject matter information contained in a report.

Forensic auditing (or audits on fraud and corruption) is a key task of some SAIs in some of INTOSAI's regions and reflect the notion of the Lima Declaration that the purpose of auditing among others is to reveal deviations from the principles of legality and take corrective action in individual cases (cf. ISSAI 1/Section 1). A task of forensic audit is an investigative audit in which the audit criteria applied are compliance auditing criteria of *penal law*. The conclusions are designed to serve the purpose of taking a decision on whether to refer the case to the law enforcement authorities for further investigation and possible prosecution.

2. Tasks of performance auditing

The concept of performance auditing is also mentioned in ISSAI 1 The Lima Declaration and the present ISSAI 100, 300 and 400 contains a range of requirements applicable to performance auditing, which are further developed on in the ISSAI 3000 implementation guideline on performance auditing.

In line with these ISSAIs the mandate of many SAI's provides for **topical performance auditing**: Performance auditing is conducted as discretionary tasks and the mandate leaves it to the SAI to select the topics it deems to be significant for the intended users. The audit results in a report with assessments of the selected topics which is reported to those bodies within the constitutional system which exercise general monitoring and corrective functions. The purpose of each audit assessment is to reach conclusions supported by sufficient appropriate evidence on whether public authorities or other publicly funded entities have observed the applicable requirements of economics, efficiency and effectiveness. In some countries the mandate further provides that compliance audit criteria may also be included others do not provide explicitly for this.

3. General audits

A number of SAI's conduct **general audits** which include financial, compliance as well as performance auditing in one working process. The scope of such audits may be defined in different ways.

Some SAIs conduct these as **general audits of organisations**. These require the SAI to reach a conclusion for each audited organisation (e.g. each department within each Ministry).

For other SAIs the scope of the mandate is defined by the overall national budget or state accounts rather than at the level of individual organisations. These may thus conduct **general audits of the implementation of the state budget or the state accounts**. These SAIs may either produce one overall conclusion or – if their capacity allows – conduct a range of audits of each entity that falls within this general scope. In the latter case the SAI will then normally produce a consolidated assessment with an overall conclusion based on all of these audits. Such consolidated assessments might include an expressions of assurance (e.g. concerning the state accounts).

In some cases the scope of the general audits may also be defined as the horizontal implementation across organisations of a specific programme, project, body of legislation or other general activities. They may also

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concern a specific subject matter such as environment, IT, debt or procurement which is audited across organisational boundaries. These may thus be referred to as **horizontal audits** of these subject matters.

4. Audits defined by specific objects

There are also a number of SAIs whose different assignments are defined by the object which is to be audited according to the mandate. SAI's may e.g. be mandated to audits the "programs", "transactions", "projects", "management" or "operations" within the public sector.

Auditing or evaluation of programs is conducted by a range of SAIs. These are also discretionary tasks resulting in assessments which are reported to Parliament or other bodies within the constitutional system exercising general monitoring and corrective functions. But the distinguishing characteristic is that the object to be audited according to the mandate is a governmental policy program, rather than e.g. an organization or a set of financial statements. The purpose of a program evaluation is to assess whether those responsible have observed the applicable requirements in relation to a policy programme. The audit criteria may include of economics, efficiency and effectiveness as well as further requirements which are deemed by the SAI to be significant to report on.

Project audits are audits of specific types of projects (e.g. construction or IT projects). These are considered to be a special assignment by some SAIs, as these projects may be subject to specific process, outcome or reporting criteria.

Some SAIs also refers to **transactions audits**. In these cases the object the SAI is assigned by its mandate to audit is a further specified kind of transactions. The relevant criteria may include process and outcome requirements which often belong to the financial and compliance branch of auditing. These assignments may be relevant in the absence of applicable reporting requirements as well as in cases where the intended users have a special need for reliable oversight of certain kinds of transactions, e.g. tax income, salaries and pensions, grants or other payments to private beneficiaries.

The mapping further shows that there are SAI's which have further kinds of assignments which may be either general audits or be limited to one or two branches of auditing.

Another task is **management auditing**. Some SAIs are assigned by their mandate to audit the management of public organisations. In these cases the auditing criteria are mainly requirements that follow from the direct management responsibilities for the audited organisations rather than supervisory responsibilities. These tasks may involve compliance and performance auditing as well as other auditing criteria. A further concept used by some SAIs is **operational auditing**. In these cases the object (or subject) is the operations of a certain unit and the applicable criteria are mainly *process requirements*.