ISSAI
International Standards of Supreme Audit Institutions

- INTOSAI’s Professional Standards

Steen Bernt Jensen
Jonas Hällström
Agenda

• The role and auditing of Supreme Audit Institutions

• The strategy for developing the International Standards of Supreme Audit Institutions (ISSAI)

• The ISSAI Financial Auditing Guidelines based on the ISAs
What is INTOSAI?

• International Organization of Supreme Audit Institutions
• An autonomous, independent and non-political organisation founded in 1953.
• Over 180 members: The Supreme Audit Institutions of the nations of the world

Issue the International Standards of Supreme Audit Institutions (ISSAI)
What is a SAI?

- The “highest national auditing authority within the constitutional system”

- Statutory general responsibility for the auditing of publicly funded activities within a defined area

- Often combined with other functions

Examples

- Define auditing standards
  - Supervision of other Public Auditing Authorities
  - Answers to parliamentary committees
  - Comptroller General functions
  - Authorisation of expenditure
  - Legal decisions in individual cases (sanctions)
  - Formal decisions in the yearly cycle of state budgeting and accounting (“discharge”)
SAIs at different levels

- Facilitating Foresight
- Increasing Insight
- Enhancing Economy, Efficiency, Ethics, Equity, and Effectiveness
- Assuring Accountability
- Enhancing Transparency
- Combating Corruption

Source: GAO GAO-07-251CG
<table>
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<tr>
<th>Assurance assignments</th>
<th>Inquires</th>
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<td>Assertion based</td>
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<td>Not assertion based</td>
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<tr>
<th>Assessments</th>
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<tr>
<td>“Digestion” assessments based on a range of individual (assurance) assignments</td>
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<td>Assessments of selected topics</td>
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<th>Financial</th>
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<td>(Is the accounting and reporting of financial information reliable?)</td>
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<th>Compliance</th>
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<td>(Are funds obtained and spend in accordance with law and propriety?)</td>
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<th>Performance</th>
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<td>(Are funds used economically, efficiently and effectively?)</td>
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**Clear and suitable criteria**

**Wide scope of judgement**
Using the work of engaged (private sector) auditors
Audit of public funds in Denmark

- 

Private sector auditors: 35%
Rigsrevisionen (NAO): 10%
Rigsrevisionen and engaged auditors: 55%
Using the work of engaged auditors

Advantages:
- Effective **financial auditing** of each **entity**
- Allow the SAI to focus on other key functions

Challenges:
- Quality in relation to the different purpose
- Reporting of the results in a suitable format
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International Standards of Supreme Audit Institutions (ISSAI):

- Endorsed by the SAIs of the world
- Systematically numbered
- Comprehensive set by 2010
  – improved consistency by 2013

- Published at www.issai.org
The INTOSAI Professional Standards Committee

• Representatives of 65 SAI’s
• A steering committee and 5 subcommittees:
  – Financial Auditing Guidelines
  – Compliance Auditing Guidelines
  – Performance Auditing Guidelines
  – Internal Control
  – Accounting and Reporting
Which pronouncements on auditing are used by SAIs?

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<thead>
<tr>
<th>INTOSAI (not IFAC)</th>
<th>INTOSAI and IFAC</th>
<th>IFAC (not INOSAI)</th>
<th>Neither INTOSAI or IFAC</th>
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<tr>
<td>21</td>
<td>55</td>
<td>5</td>
<td>19</td>
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Are there differences between public auditing and private sector auditing?

- □ No difference - no need for special guidance for SAIs
- □ The auditing tasks are similar - special guidance for SAIs needed on institutional issues only
- □ Need for specific guidance on SAI institutional issues and certain aspects of auditing
- □ Almost no similarities between public and private sector auditing - public sector guidance on all aspects needed
What PSC is striving for…

Harmonize public sector audit internationally

- Recognizing, utilizing and building on standards issued by other standard setting bodies
- Developing supplementary guidance in areas where SAIs have special needs.

Ensure clear and user-friendly guidance on the special role of SAIs’ and public sector auditing

Where the tasks are the same, the standards should be the same, where the tasks differ the standards should differ.
The ISSAI Framework

ISSAI 1  Founding Principles
ISSAI 10-99  Prerequisites for the Functioning of SAIs
ISSAI 100-999  Fundamental Auditing Principles
ISSAI 1000-5999  Auditing Guidelines
ISSAI 3000-3999  Performance audit guidelines
ISSAI 4000-4999  Compliance audit guidelines
ISSAI 1000-1999  Financial Auditing Guidelines
(Provide Practice notes to ISAs)

INTOSAI GOV 9100-9299  INTOSAI Guidance for Good Governance

ISSAI = International Standards of Supreme Audit Institutions
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The ISSAI Financial Auditing Guidelines based on the ISAs
INTOSAI is adopting the ISAs as ISSAIs
– ISA + Practice Note (PN) = ISSAI
– Practice Notes contains:
  • Statement of applicability in the public sector
  • Additional Guidance of relevance for audits in the public sector
Financial Audit Guidelines

- Full package of ISSAIs for financial audit in November 2010
- Will include an INTOSAI general introduction as well as glossary in addition to ISAs and PNs
- Will not include ISQC1 (INTOSAI is working on a similar standard)
Financial audit guidelines
Financial Audit Guidelines

• Examples of issues reflected in the Practice Notes
  – Broader Mandates;
    • Compliance with regulations
    • Regularity of transactions
  – Audit responsibilities set in Law or regulation;
    • No possibility to make agreements with management or TCWG
  – Materiality
  – Communications
  – Fraud and Corruption