

Strategic Development Plan for the INTOSAI Framework of Professional Pronouncements (SDP for the IFPP) 2017-2019

INTOSAI



**Performance Audit
Subcommittee**

- **PAS involvement in SDP projects**
- **Speakers:**
 - **2.3 – Mr Lars Florin**
 - **2.6 – PAS Secretariat (on behalf of Mr Adrian Gogolan)**
 - **2.8 / 2.9 / 2.11 / 3.10 – PAS Chair**
 - **3.3 – tomorrow: auditor competency**
 - **3.8 initial assessment. Project team represented by Ms Cathleen Berrick, Mr Kevish Lachman and Mr Cornelis Pretorius**

Recap: SDP for the IFPP 2017-2019

❑ **2017 PAS position:** work towards realizing the SDP for the IFPP, but:

- ❖ Questioning a number of project ideas, pointing to lack of reasoning behind, lack of added value, and the problems related to subject matter specific guidance material
- ❖ Opting out of several projects
- ❖ Assigning resources to some projects
 - PAS caveat: «advisory role»
- ❖ Positive: Expected a «clean-up» of the framework, focus on quality instead of quantity

❑ **2018 PAS position:** work closely with the PSC, FIPP and other subcommittees FAAS, CAS and ICS towards developing the next SDP for the IFPP (2020-2025). Experiences:

- ❖ Projects live a life of their own – some have become more complex over time
- ❖ Questioning the lack of an overall strategy for the next SDP
- ❖ Problems related to subject matter specific guidance starting to materialise

❑ **2019 position?**

No.	Name of Project	Responsible PAS member(s)	Comments
2.3	Using ISSAIs in accordance with the SAI's mandate and carrying out combined audits	Lars Florin (SAI Sweden)	In process, seems that scope has been expanded. IFPP category: GUID?
2.6	Guidance on reliance on the work of internal audit	Adrian Gogolan (SAI Romania)	Expanded, heavier PA and CA focus. Proposal approved by FIPP November 2018. Long-term project until 2022. IFPP category: GUID
2.8	Consolidating and aligning guidance on IT audit with ISSAI 100	Jan Roar Beckstrom (OAG Norway/PAS Chair)	IFPP category: GUID
2.9	Consolidating and aligning the audit of public debt with ISSAI 100	Jan Roar Beckstrom	IFPP category: GUID
2.11	Public Procurement Audit	Jan Roar Beckstrom	IFPP category: GUID
3.3	Competency pronouncements	John Sweeney (ECA)	IFPP category: COMP
3.8	Obtaining an understanding of Economy, Efficiency and Effectiveness of an entity and applying relevant methods in the context of a performance audit	Cathy Berrick (US GAO) Diana Maurer (US GAO) Elise Eriksen (OAG Norway) Kevish Lachman (SAI South Africa - AGSA) Corrie Pretorius (AGSA)	Initial assessment finalised February 2019
3.10	Audit of Key National Indicators (KNIs)	Jan Roar Beckstrom (OAGN/PAS Chair)	Added to the SDP after the initial approval of the plan. IFPP category: GUID Currently: Exposure process

Project 2.3 – Combined audits (Lars Florin, Sweden)

- › **Topic was enlarged to:** “Using ISSAIs in accordance with the SAIs mandate and carrying out combined audits”
- › **Survey results:** 43 out of 194 SAIs (22%) responded
- › Not sufficient understanding of existence and need for “combinations”
- › Confusion between combining issues vs standards in PA
 - No need to combine to cover compliance
 - Not all audits addressing performance issues are PA
- › No need to combine standards involving PA identified
- › Sometimes, a need to combine PA with CA to exercise the judicial function but not to do the audit

Views communicated

- › Need for clarifications of ISSAI 100
 - Who has authority to interpret the application of standards in a country?
 - What does it mean that standards in no way override legislation?
 - What freedom does a SAI have to interpret standards in their context?
 - What does compliance with standards mean?
 - What does it mean to combine issues, audit standards and audit types?
- › Need for guidance
 - Interpreting the mandate and strategic choices, design operations in audit streams and adopt standards for those
 - Possibly general guidance on combinations (e.g. reporting)
 - Probably for combining financial and compliance audit
 - Otherwise, sceptic to the need for detailed guidance on combinations

Thoughts for going forward in the project

› Clarifying PA

- PA in INTOSAI means carrying out audits based on ISSAI 300/3000
- PA means the audit includes a topic, objective and/or questions related to performance
- Compliance is one aspect of performance, and can be fully addressed in PA
- Causes for non-compliance is a matter of performance

› Audits not interested in how compliance affects performance or in causes for non-compliance, should use standards for compliance audit

› Limited issues of performance may be addressed in other types of audits than PA (e.g. audit of performance information, limited checks)

› Develop guidance for adopting or developing standards for addressing limited issues of performance, when ISSAI 300/3000 are not applicable

2.6: Consolidated and improved guidance on reliance on the work of internal auditors

- ❑ Or: «Guidance on reliance on the work of internal audit» (working title, 2018/19)
- ❑ Project's expected duration: 4 years and 5 months, Aug 2017-Jan 2022
- ❑ Name of lead working group: Subcommittee on Internal Control Standards (ICS)
- ❑ Objective: develop guidance to help SAIs rely on the work of internal audit, with a clear linkage btw the treatment of internal auditors in the ISSAIs and supporting GUIDs
- ❑ PAS representative: Mr Adrian Gogolan, SAI Romania

2.6: Identified need for, and purpose of, the project

- ❑ Project proposal: refers to how it was identified in the SDP as a rationalisation for the project
- ❑ Purpose: provide clear guidance on how SAls may use internal audit resources to raise overall audit efficiency and quality
- ❑ Proposal: one guidance document in the GUID 5000-5999 range of the IFPP («subject specific guidance»)
- ❑ Should serve all three audit types as well as **combined audits**

2.6: Identified problem related to performance audit

- ☐ No prior knowledge of literature or SAI experience of using the work of internal auditors for PA
- ☐ ISSAIs 3000 and 3100: do not mention the possibility of using studies or work performed by third parties
- ☐ ISSAI 3200: mentions the existence of studies or audits already performed by third parties, but as an indicator of what you should not (also) audit (para 20, 21, 23)
- ☐ Phrase (project proposal): «INTOSAI steps into a new until now unexplored area» (referring to PA and internal audit)

2.6: Plan for the work ahead: performance audit

- ❑ Literature study to identify and contact key players
- ❑ Conduct a survey among a representative number of INTOSAI-members to identify: available knowledge or experience; whether there is a need for such guidance → outcome: identify next steps
- ❑ End of phase 1 (2019): share an outline of the proposed GUID with competent INTOSAI bodies, i.e. PAS, CAS and FAAS, PSC Chair and FIPP

2.6: Project's initial phase (2019)

Focus on:

- ☐ New insights and developments concerning reliance on the work of internal auditors in the area of financial auditing
- ☐ Initial assessment of the extent to which ISA 160/ISSAI 1610 might be usable as guidance in PA and CA, by means of literature study, identifying and contacting key-players and performing an INTOSAI survey (addressed to PAS and CAS members, and Regions)
- ☐ Further elaboration on the issues related to PA and CA will be done in the second phase (after 2019)

PAS Chair Involvement in SDP-projects

SDP-projects

- 2.8: Consolidating and aligning guidance on IT audit with ISSAI 100
- 2.9: Consolidating and aligning the audit of public debt with ISSAI 100
- 2.11: Public procurement audit
- 3.10: Audit of Key National Indicators

To sum up:

- A quality assurance role by (a somewhat reluctant) PAS chair
- A lot of “subject matter knowledge”
- General statements about PA
- Writing good English prose is challenging

An example:

- “Depending on the nature and composition of the performance measure system and corresponding indicators as well the mandate, internal policies and the results expected by the intended users of audit reports, the SAls may decide to concentrate in their efforts in audit engagements of development and use of XXX on any of the three principles (the economy, efficiency and effectiveness of government undertakings, systems, operations, programmes, activities or organisations) or any combination of the principles.” This is very general and goes for all subject matters. A good test may be: Substitute XXX with another subject matter, for example “climate measures”. If it is still a meaningful sentence, the point made is of less value.

3.8: Obtaining an understanding of Economy, Efficiency and Effectiveness of an entity and applying relevant methods in the context of a performance audit

- ❑ Initial assessment completed February 2019

- ❑ Project team:

- Cathleen Berrick (team leader), US GAO
- Diana Maurer, US GAO
- Elise Fidjestol Eriksen, OAG Norway
- Kevish Lachman, Auditor-General South Africa
- Corrie Pretorius, Auditor-General South Africa

**Results of Preliminary Assessment
Strategic Development Plan Project 3.8**

April 9, 2019

**Cathy Berrick, US Government Accountability Office
Kevish Lachman, Auditor-General of South Africa
Cornelis Pretorius, Auditor-General of South Africa**

Source and Approach

- Project 3.8—*Obtaining an understanding of Economy, Efficiency and Effectiveness of an entity and applying relevant methods in the context of a performance audit*—is included in INTOSAI’s Strategic Development Plan (SDP) 2017-2019.
- Project was designated a Priority 3 in the SDP in the category of “Strengthening INTOSAI Professional Pronouncements beyond 2019.” PAS was designated as lead for the project.
- PAS members from the Auditor General of Norway, Auditor General of South Africa, and U.S. Government Accountability Office conducted a preliminary assessment of the value and need for Project 3.8. Specific objective was to determine whether revisions or additional International Standards of Supreme Audit Institutions (ISSAIs) in the 3000-series or INTOSAI guidance pronouncements (GUIDs) in the 3900-series were needed.
- The PAS was to provide a recommendation regarding whether the project should be pursued, and if so a detailed project proposal, to the Forum for INTOSAI Professional Pronouncements (FIPP) Goal Chairs in February 2019.

Source and Approach (Cont'd)

- The project team used the following approach to assess the value and need for Project 3.8:



- The project team reviewed the following INTOSAI guidance:

<ul style="list-style-type: none">• ISSAI 300: Fundamental Principles of Performance Auditing• ISSAI 3000: Standard for Performance Auditing• ISSAI 3100: Guidelines on Central Concepts for Performance Auditing• ISSAI 3200: Guidelines for the Performance Audit Process• INTOSAI GOV 9400: Guidelines on the Evaluation of Public Policies	<ul style="list-style-type: none">• PAS Good Practice Documents:<ul style="list-style-type: none">• Communication in the Performance Audit Process• Designing Performance Audits• Making Performance Audit Reports Reader-Friendly• Safeguarding Quality in the Performance Audit Process• Selecting Performance Audit Topics
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Note: Due to the inclusion of relevant information from these good practice documents in ISSAI 3000-3200, they were formally withdrawn at the 2017 PAS meeting.

- The project team reviewed some national-level guidance as potential models for how gaining an understanding of economy, efficiency and effectiveness in the context of a performance audit can be addressed in high-level guidance.

Assessment of Existing INTOSAI Guidance

- The project team's review of current INTOSAI guidance on performance auditing found that the relevant ISSAIs (ISSAI 3000, 3100, and 3200) adequately address, for the purpose of overarching guidance, the application of economy, efficiency, and effectiveness in the context of a performance audit. For example:
 - **ISSAI 300**, “Fundamental Principles of Performance Auditing,” discusses economy, efficiency, and effectiveness as it applies within the framework of performance auditing. It provides definitions for these terms and descriptions of how they should be included in a performance audit, particularly the degree to which the 3Es are/not met and how criteria can be used to assess performance against the 3Es.
 - **ISSAI 3000**, “Standard for Performance Auditing,” which expands upon the explanation of the 3Es included in ISSAI 300, discusses how a performance audit should take into account the principles of economy, efficiency, and/or effectiveness, particularly as it relates to the audit objectives and criteria used.
 - **ISSAI 3200**, “Guidelines for the Performance Auditing Process” includes specific discussion of building the 3Es into the framework an audit team uses in conducting and conveying the results of a performance audit. Among other things, it includes examples of criteria, data sources, and analytical methods that can be used to address the 3Es as part of a performance audit.

Survey of PAS Members

- The survey of PAS members included the following questions:

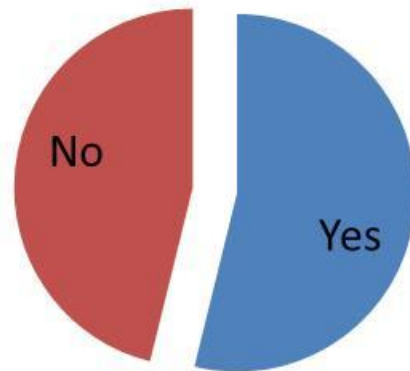
- 1) Do you believe there are any gaps in the existing INTOSAI guidance referenced above that need to be filled regarding obtaining an understanding of the economy, efficiency, and effectiveness of an entity and applying relevant methods in the context of a performance audit?
- 2) Do you believe that additional INTOSAI training, or other type of support beyond guidance, is needed regarding obtaining an understanding of the economy, efficiency and effectiveness of an entity and applying relevant methods in the context of a performance audit?
- 3) Is there any additional information you would like to provide regarding the need for additional INTOSAI guidance concerning obtaining an understanding of the economy, efficiency, and effectiveness of an entity and applying relevant methods in the context of a performance audit?

- Survey was sent to 25 PAS members (not including the project team countries), and 13 responses were received.

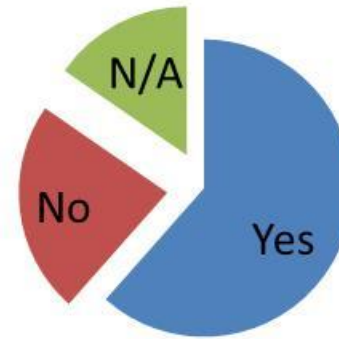
Survey Responses

- Survey responses were mixed regarding the need for additional guidance, while the majority of respondents cited a need for additional training.

Gaps in Guidance?



Additional Training Needed?



- An analysis of survey responses found that in most cases, perceived gaps in guidance related to the need for more tactically focused guidance—such as how to put together an audit plan to obtain an understanding of economy, efficiency, and effectiveness, or the identification of best practices—rather than gaps in the ISSAI 3000 series itself.

Survey Responses (Cont'd)

- Responses calling for additional guidance:
 - “Consider providing guidance to determine and select various sources of criteria to benchmark the performance. There are various sources of criteria available but which one a performance audit should consider [is unclear].”
 - “Would like some guidance on ‘tried and tested’ methodologies for performance audits that are done prior to committing funds, during implementation or after completion of a measure with financial impact. Also identify good practices, e.g. for generating the needed data for performance audits or to analyze causality.”
 - “There could be more guidance on how to obtain an understanding of the economy, efficiency, and effectiveness of an entity during the pre-study or planning phase in order to develop a better objective and identify relevant criteria for the audit. Examples of questions, objectives and criteria related to the concepts could be useful. It would also be useful to have examples of steps, techniques and innovative ways to audit those concepts.”

Survey Responses (Cont'd)

- Responses calling for additional guidance (cont'd):
 - “More informal collaboration among PAS members and sharing of best practices, e.g. setting up a website where good practices...can be shared.”
 - “[The guidance needs] examples of indicators of economy, efficiency and effectiveness in various sectors of public management: health, education, infrastructure, agriculture, natural resource management, etc.”
- Need for additional training:
 - “There is a crucial need for a training focused especially on the issues related to efficiency and economy. Usually, our auditors face challenges in determining the relevant criteria for the measurement of efficiency and economy. Training would be the good solution to deal with this challenge.”
 - “Workshops on methodological developments, experiences with new types of audit and non-audit products (e.g. review type products, preparedness audits, evaluations, etc.,) and using social media...would be most useful at regional level.”

INTOSAI Development Initiative (IDI) Input

- IDI's view was that there was no need for additional guidance regarding obtaining an understanding of economy, efficiency, and effectiveness —specifically that the current ISSAI 3000 series documents were sufficient.
- Rather, IDI identified a need for additional training on how to carry out performance audits. IDI noted that its ongoing effort to develop a Performance Audit Handbook is designed to help address these training needs.

Recommendations

- The project team recommended, and the PAS communicated to the FIPP, that Project 3.8 not be continued, as existing INTOSAI guidance provides a sufficient framework and guidelines for incorporating economy, efficiency and effectiveness into performance audits.
- However, the team identified value in helping SAI's translate existing guidance into practice, and recommended that options for doing so be explored and pursued, as appropriate. Such options could include:
 - The PAS partnering, if feasible, with IDI in the development of the Performance Audit Handbook. (*Being Implemented*)
 - Developing a website, or other mechanism, to share lessons learned and best practices from member countries for applying economy, efficiency and effectiveness.
 - Using social media and/or other collaboration tools to enable SAIs to communicate with each other on an as-needed basis with questions and input.
- PAS should discuss potential options during its April 2019 meeting and, if agreement is reached, propose an alternative project for inclusion in the SDP.

Questions?