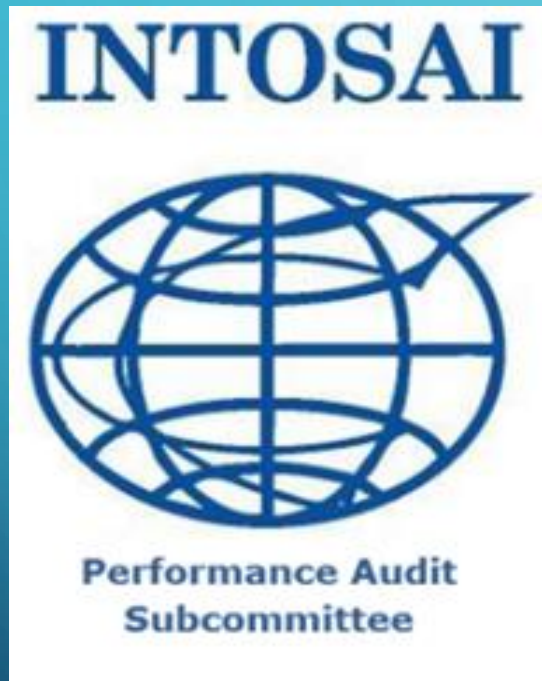


**MEETING OF THE
PERFORMANCE AUDIT
SUBCOMMITTEE
25–26 MAY 2021**



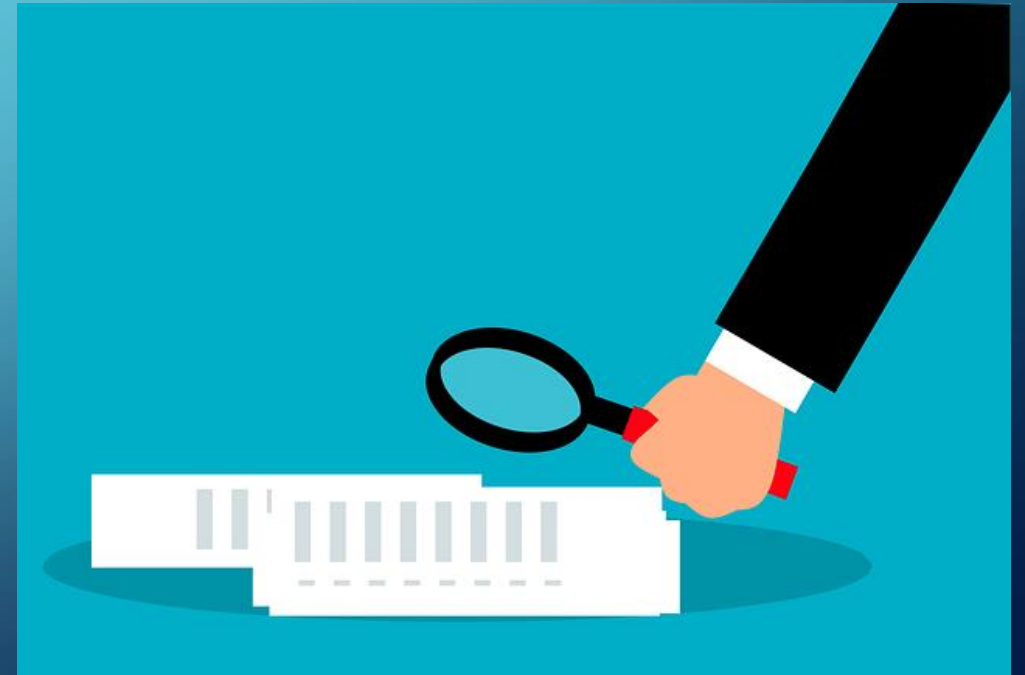
AGENDA DAY 2

- ☐ Technical update: discussion on using the work of internal auditors in performance audit
- ☐ PAS priorities
- ☐ Technical update: IDI Performance Audit ISSAI Implementation Handbook
- ☐ PAS Work Plan – motion of approval
- ☐ Other business and closing remarks

AGENDA ITEM 2-B

TECHNICAL UPDATE:

DISCUSSION ON
USING THE WORK OF INTERNAL
AUDITORS IN
PERFORMANCE AUDIT



Technical update

Using the work of internal auditors in performance audit

Wilfred Aquilina

INTOSAI Performance Audit Subcommittee Online Meeting 25-26 May 2021

Over the next 45 minutes...

- ▶ Why?
- ▶ What?
- ▶ How?
- ▶ Questions & comments

Interest/focus on the topic within INTOSAI

- ▶ Ongoing INTOSAI Project 2.6 led by the Internal Control Standards Subcommittee (ICS)
- ▶ PAS team formed in early 2020 to look into the matter and contribute to the subject and the discussion on it:
 - ❑ Doris Boehler (SAI Austria)
 - ❑ Ammar Abdulla Sakini (SAI Qatar)
 - ❑ Adrian Gogolan (SAI Romania)
 - ❑ Hege Larsen (PAS Secretariat)
 - ❑ Wilfred Aquilina (European Court of Auditors)

What we covered

- ▶ PAS survey in spring/summer 2020. Response from 18 member SAls
- ▶ We looked at what are the requirements, and what are the main considerations and issues that need to be taken into account when considering using the work of internal auditors
- ▶ We discussed how all this fits in, in practice, for the SAI and in performance audit:
 - ❑ What are opportunities? (how? when?...)
 - ❑ What are the limitations? (to what extent?...)
 - ❑ What are the challenges?



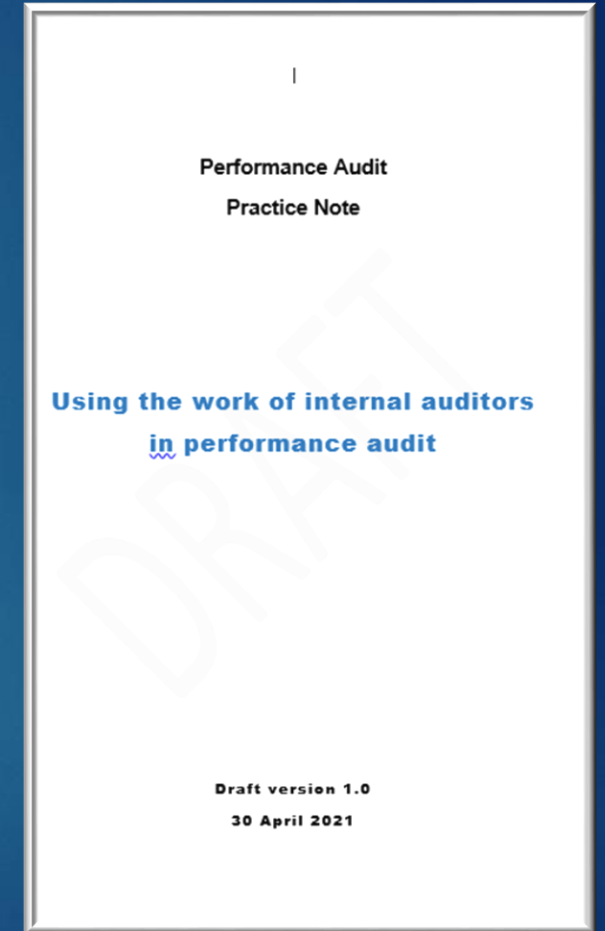
How we approached the topic

We combined a **top-down method** (in terms of principles and standards that should be applied) with a **bottom-up approach** (identifying what is important and useful in practice)



We put it on paper

- ▶ Collated and summed up our knowledge and reflections
- ▶ Structured our thoughts and put them on paper
- ▶ Used the opportunity of this week's PAS 'gathering' to share our knowledge, discuss, exchange views, etc.
- ▶ This is a first draft, a work-in-progress
- ▶ We are very encouraged by the feedback we have received on the draft we circulated on 30 April
- ▶ We will work on a revised version based on the suggestions made and comments received



A tool in the performance auditor's toolbox



- ▶ A working paper
- ▶ Potential to use if and when needed
- ▶ As we fine-tune our views and reflect on the PA perspective/needs

We now move to the substance ...

Paper divided into **two main parts**:

- ▶ Cross-cutting references to INTOSAI principles, standards and other guidance (paragraphs 7 to 22)
- ▶ Practical considerations on using the work of internal auditors as part of a performance audit process (paragraphs 23 to 49)

Followed five stages of performance audit process

Possible use of the work of the internal auditor during:

- A. selection of topics
- B. design of the audit
- C. conduct of the audit
- D. reporting
- E. follow-up

A. Planning – selection of topics (1)

- ▶ consulting internal audit reports as a source
- ▶ determine whether source is sufficiently reliable and relevant
- ▶ can be useful to identify potential issues, risks and concerns
- ▶ whether potential audit topic is timely and relevant

A. Planning – selection of topics (2)

- ▶ to learn more on possible difficulties to obtain required audit evidence
- ▶ and on the reliability of available information and data
- ▶ can help to avoid unnecessary duplication of work
- ▶ or premature examination of performance areas under recent scrutiny and/or affected by deficiencies still to be remedied

SAI maintains full autonomy and independence on the final selection and scope of work

B. Planning – designing the audit

- ▶ for acquiring more detailed information of the issues and risks affecting performance
- ▶ as one of the several sources, during preliminary analysis and verifications
- ▶ potentially, when setting audit objective, scope and approach
- ▶ when identifying criteria and defining materiality
- ▶ need to determine extent to which information is relevant and suitable
- ▶ must safeguard SAI's independence and impartiality throughout the process
- ▶ other considerations, e.g. if direct assistance is planned

Comments, questions and suggestions

On using the work of internal
auditors during the crucial
planning stages

C. Conducting the audit

- ▶ engaging professionally with internal audit
- ▶ liaison with internal audit, can help to compile requested information
- ▶ extent of involvement depends on need and purpose
- ▶ can be useful as corroborating evidence, should be assessed for objectivity and reliability
- ▶ apply professional scepticism and judgement
- ▶ may need to re-examine work done (especially if direct assistance is considered)
- ▶ documenting the procedures that are applied in working papers
- ▶ SAI retains sole responsibility for any opinion or report that it might produce

Comments, questions and suggestions

On using the work of internal auditors
during the audit fieldwork

D. Reporting

- ▶ consulting internal audit during clearing of the audit results
- ▶ possible limitations with the information provided
- ▶ possible restrictions on what can be reported
- ▶ accurately referencing cited internal audit work
- ▶ SAI retains full responsibility for the information in the report and the conclusions reached

Comments, questions and suggestions

On incorporating / reflecting /
referencing the work of internal
auditors in the SAI's report

E. Follow-up

- ▶ can be used as a source to complement independent assessment
- ▶ Internal audit can choose to separately follow up with those responsible
- ▶ documentation of checks and procedures carried out
- ▶ SAI remains fully responsible for the follow-up assessment

Comments, questions and suggestions

On using the work of internal auditors
during the follow-up exercise

**Any final overall comments, questions
and suggestions**

On the overall scope, content,
style and usefulness of the
draft working paper

AGENDA ITEM 2-C

FUTURE PAS PRIORITIES:

- ✓ KNOWLEDGE SHARING AND IMPLEMENTATION SUPPORT
- ✓ QUALITY ASSURANCE PROCESS FOR NON-IFPP PRODUCTS
- ✓ MEMBERSHIP AND ORGANISATIONAL STRUCTURE



FOR DISCUSSION:

What type of projects and initiatives should PAS focus on to promote good practice and provide implementation support?

WORK PLAN

- ❑ Details on knowledge sharing and implementation support to be mapped out
- ❑ In addition to considering mandatory INTOSAI development processes that are part of the implementation of INTOSAI Strategic Plan Goal 1 (professional standard setting), the PAS Chair has taken into account input from PAS members and observers when drafting the 2020–2022 PAS Work Plan.

QUALITY ASSURANCE PROCESS FOR NON-IFPP PRODUCTS

- ❑ As part of discussions about knowledge sharing and implementation support initiatives, the committee should be informed that also non-IFPP products may require a formal quality assurance process.
- ❑ Please read Meeting Handbook from page 13: “Guidance on Quality Assurance (QA) levels and procedure for QA evaluation of non-IFPP products”

HANDBOOK FOR INTOSAI COMMITTEES

□ (Sept. 2019):

«All public goods carrying the INTOSAI brand...should be accompanied by a statement of quality assurance from the respective Goal Chair»...

But also:

« Public goods and other products and outputs that can be of use to the work of auditors should be communicated through user-friendly and easily accessible means, even to those not familiar with the INTOSAI structure».

MEMBERSHIP AND ORGANISATIONAL STRUCTURE

- ❑ PAS strives to be inclusive. However:
 - ❑ There is a limit to how many members can be accepted with the current structure
 - ❑ Chair stopped appointing new members in March 2020, pending a discussion about future membership
 - ❑ This is our first opportunity to discuss with you

WHY DID THE CHAIR STOP APPOINTING MEMBERS?

- ☐ Normally appointed on request to the chair (in recent years), regional distribution influenced acceptance of new members
- ☐ We have had many requests and had to turn some SAIs down
- ☐ Should be expected that members participate actively in the committee's technical work and contribute in line with PAS Work Plan
- ☐ 2020: reached maximum capacity, need to reconsider current structure?

FUTURE MEMBERSHIP STRUCTURE

- ❑ PAS priorities and type of involvement in external projects
- ❑ Resources: active versus less active PAS members
- ❑ Possible new structure:
 - Board or working group consisting of dedicated SAls and chair;
 - Unlimited access to PAS membership in an observer role

AGENDA ITEM 2-D

TECHNICAL UPDATE:

IDI PERFORMANCE AUDIT
HANDBOOK



AGENDA ITEM 2-E

PAS WORK PLAN:

MOTION OF APPROVAL



APPROVAL PROCESS

Following:

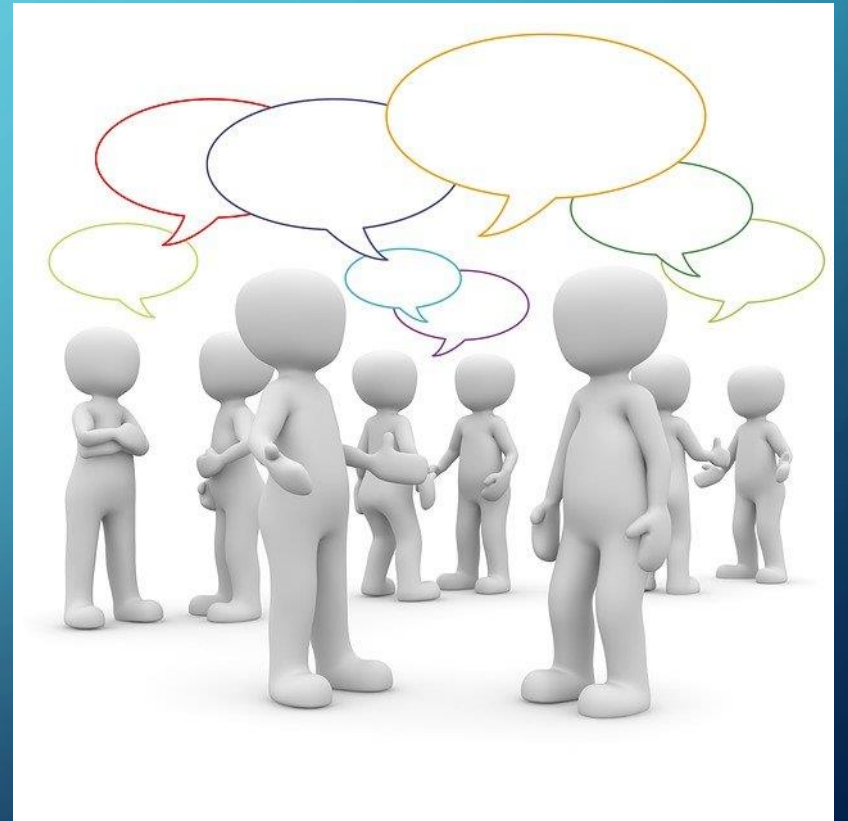
- ✓ the assessment of input from PAS since 2019, and;
- ✓ a consultation process April/May 2021,
- ✓ we ask PAS to consider the draft PAS Work Plan 2020–2020 for approval.
- ✓ To be forwarded to, and adopted by, the 2021 INTOSAI Governing Board



AGENDA ITEM 2-F

OTHER BUSINESS:

- ✓ SUMMING UP DECISIONS
- ✓ EVALUATION OF AGENDA
- ✓ FUTURE PAS MEETINGS



SUMMING UP: DECISIONS



- ✓ PAS Work Plan 2020–2022 approved.
- ✓ Membership and organisational structure: to be evaluated and discussed in later meetings.
- ✓ Knowledge sharing and implementation support initiatives: to be discussed and planned in more detail, including how to involve members.

EVALUATION OF AGENDA



FUTURE MEETINGS

- ❑ More online events, such as PAS seminars dedicated to technical issues or development projects ?
- ❑ The next in-person PAS meeting

Where will
INTOSAI
Performance
Audit
Subcommittee be
held in 2022?



Assuming all goes well

Here's some
clues...

Approximately 2600 miles south of the North Pole and 5700 miles from Siberia

The city was established in AD43

Population of almost 9 million yet its City is only 1 square mile

The city has hosted the modern Olympics on three occasions

There was a great plague in this city in 1666

The building in which this audit institution is sited was once described as the 'loveliest airport terminal in the World

Here's some
clues...



Here's some
clues...



- We are pleased to announce that the next meeting will be in London.
- The National Audit Office (NAO) is the UK's independent public spending watchdog. We are based in London, on Buckingham Palace Road.

We look forward to welcoming you next year!



CLOSING REMARKS



What's
Next?