**Gap analysis tool**

| **Key principles and application guidance within ISSAI 40** ***Column A*** | **Assessment of the position of the SAI relative to ISSAI 40*****Column B*** | **Gap identified*****Column C [(A) – (B)]*** | **Significance of the gap*****Column D*** | **Recommended action to address the gap*****Column E*** | **Follow up/monitoring*****Column F*** |
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| **Element 1**: Leadership responsibilities for quality within the SAI**Key principle**:**An SAI should establish policies and procedures designed to promote an internal culture recognising that quality is essential in performing all of its work. Such policies and procedures should be set by the Head of the SAI, who retains overall responsibility for the system of quality control.****Application guidance**:* The Head of the SAI may be an individual or a group depending on the mandate and circumstances of the SAI.
* The Head of the SAI should take overall responsibility for the quality of all work performed by the SAI.
* The Head of the SAI may delegate authority for managing the SAI’s system of quality control to a person or persons with sufficient and appropriate experience to assume that role.
* SAIs should strive to achieve a culture that recognises and rewards high quality work throughout the SAI. To achieve that culture the Head of the SAI should set the right “tone at the top” which emphasises the importance of quality in all of the work of the SAI, including work which is contracted out. Such a culture also depends on clear, consistent and frequent actions from all levels of the SAI’s management that emphasise the importance of quality.
* The strategy of each SAI should recognise an overriding requirement for the SAI to achieve quality in all of its work so that political, economic or other considerations do not compromise the quality of work performed.
* SAIs should ensure that quality control policies and procedures are clearly communicated to SAI personnel and to any parties contracted to carry out work for the SAI.
* SAIs should ensure that sufficient resources are available to maintain the system of quality control within the SAI.

**Element 2**: Relevant ethical requirements**Key principle**:**An SAI should establish policies and procedures designed to provide it with reasonable assurance that the SAI, including all personnel and any parties contracted to carry out work for the SAI, comply with relevant ethical requirements.****Application guidance**:* SAIs should emphasise the importance of meeting relevant ethical requirements in carrying out their work.
* All SAI personnel and any parties contracted to carry out work for the SAI should demonstrate appropriate ethical behaviour.
* The Head of the SAI and senior personnel within the SAI should serve as an example of appropriate ethical behaviour.
* The relevant ethical requirements should include any requirements set out in the legal and regulatory framework governing the operations of the SAI.
* Ethical requirements for SAIs may include or draw on the INTOSAI code of ethics (ISSAI 30) and the IFAC ethical requirements, as appropriate to its mandate and circumstances and to the circumstances of their professional staff.
* SAIs should ensure policies and procedures are in place that reinforce the fundamental principles of professional ethics as defined in ISSAI 30, i.e.:
* integrity;
* independence, objectivity and impartiality;
* professional secrecy; and
* competence.
* SAIs should ensure that any parties contracted to carry out work for the SAI are subject to appropriate confidentiality agreements.
* SAIs should consider the use of written declarations from personnel to confirm compliance with the SAI’s ethical requirements.
* SAIs should ensure policies and procedures are in place to notify the Head of the SAI in a timely manner of breaches of ethical requirements and enable the Head of the SAI to take appropriate action to resolve such matters.
* SAIs should ensure appropriate policies and procedures are in place to maintain independence of the head of the SAI, all personnel and any parties contracted to carry out work for the SAI.

(For more guidance in independence of SAIs, refer to *ISSAI 10 Mexico Declaration on SAI Independence* and *ISSAI 11 Guidelines and Good Practices Related to SAI Independence*).* SAIs should ensure policies and procedures are in place that reinforce the importance of rotating key audit personnel, where relevant, to reduce the risk of familiarity with the organisation being audited. SAIs may also consider other measures to reduce the familiarity risk.

**Element 3**: Acceptance and continuance**Key principle**:**An SAI should establish policies and procedures designed to provide the SAI with reasonable assurance that it will only carry out audits and other work where the SAI:**1. **is competent to perform the work and has the capabilities; including time and resources, to do so;**
2. **can comply with relevant ethical requirements; and**
3. **has considered the integrity of the organisation being audited and has considered how to treat the risk to quality that arises.**

**The policies and procedures should reflect the range of work carried out by each SAI. In many cases SAIs have little discretion about the work they carry out. SAIs carry out work in three broad categories:*** **Work that is required of them by their mandate and statute and which they have no option but to carry out;**
* **Work that is required by their mandate, but where they have discretion as to the timing, scope and/or nature of work;**
* **Work that they can choose to carry out.**

**Application guidance**:* For all audits and other work carried out, SAIs should establish systems to consider the risks to quality which arise from carrying out the work. These will vary, depending on the type of work being considered.
* SAIs normally operate with limited resources. SAIs should consider their work programme and whether they have the resources to deliver the range of work to the desired level of quality. To achieve this, SAIs should have a system to prioritise their work in a way that takes into account the need to maintain quality. If resources are not sufficient and pose a risk to quality, the SAI should have procedures to ensure that the lack of resource is brought to the attention of the Head of the SAI and, where appropriate, the legislature or budgetary authority.
* SAIs should assess if a material risk to their independence exists in accordance with ISSAI 10. Where such a risk is identified, the SAI should determine and document how it plans to address this risk and ensure an approval process is in place and is adequately documented.
* Where the integrity of the audited organisation is in doubt, the SAI should consider and address the risks arising from the capability of staff, the level of resources, and any ethical issues which might arise in the audited organisation.
* SAIs should consider procedures for acceptance and continuance of discretionary work, including work which is contracted out. If the SAI decides to carry out the work, the SAI should ensure the decision is approved at the appropriate level within the SAI, and that the risks involved are assessed and managed.
* SAIs should ensure that their risk management procedures are adequate to mitigate the risks of carrying out the work. The response to the risks may include:
* carefully scoping the work to be performed;
* assigning more senior/experienced staff than would ordinarily be the case; and
* doing a more in depth engagement quality control review of the work before a report is issued.
* SAIs should consider disclosing in their reports any specific matters that would ordinarily have led the SAI to not accept the audit or other work.

**Element 4**: Human resources**Key principle**:**An SAI should establish policies and procedures designed to provide it with reasonable assurance that it has sufficient resources (personnel and, where relevant, any parties contracted to carry out work for the SAI) with the competence, capabilities and commitment to ethical principles necessary to:**1. **carry out its work in accordance with relevant standards and applicable legal and regulatory requirements; and**
2. **enable the SAI to issue reports that are appropriate in the circumstances.**

**Application guidance**:* SAIs may draw on a number of different sources to ensure they have the necessary skills and expertise to carry out the range of their work, whether carried out by SAI personnel or contracted out.
* SAIs should ensure that responsibility is clearly assigned for all work carried out by the SAI.
* SAIs should ensure that personnel, and parties contracted to carry out work for the SAI (e.g. from chartered accountancy or consulting firms), have the collective competencies required to carry out the work.
* SAIs should recognise that in certain circumstances personnel and, where relevant, any parties contracted to carry out work for the SAI, may have personal obligations to comply with the requirements of professional bodies in addition to the SAI’s requirements.
* SAIs should ensure that Human Resources policies and procedures give appropriate emphasis to quality and commitment to the SAI’s ethical principles. Such policies and procedures related to human resources include:
* recruitment (and the qualifications of recruited staff);
* performance evaluation;
* professional development;
* capabilities (including sufficient time to perform assignments to the required quality standard);
* competence (including both ethical and technical competence);
* career development;
* promotion;
* compensation; and
* the estimation of personnel needs.
* SAIs should promote learning and training for all staff to encourage their professional development and to help ensure that personnel are trained in current developments in the profession.
* SAIs should ensure that personnel and any parties contracted to carry out work for the SAI have an appropriate understanding of the public sector environment in which the SAI operates, and a good understanding of the work they are required to carry out.
* SAIs should ensure that quality and the SAI’s ethical principles are key drivers of performance assessment of personnel and any parties contracted to carry out work for the SAI.

**Element 5**: Performance of audits and other work**Key principle**:**An SAI should establish policies and procedures designed to provide it with reasonable assurance that its audits and other work are carried out in accordance with relevant standards and applicable legal and regulatory requirements, and that the SAI issues reports that are appropriate in the circumstances. Such policies and procedures should include:**1. **matters relevant to promoting consistency in the quality of the work performed;**
2. **supervision responsibilities; and**
3. **review responsibilities.**

**Application guidance**:* SAIs should ensure appropriate policies, procedures and tools, such as audit methodologies are in place for carrying out the range of work that is the responsibility of the SAI, including work that is contracted out.
* SAIs should establish policies and procedures that encourage high quality and discourage or prevent low quality. This includes creating an environment that is stimulating, encourages proper use of professional judgement and promotes quality improvements. All work carried out should be subject to review as a means of contributing to quality and promoting learning and personnel development.
* Where difficult or contentious matters arise, SAIs should ensure that appropriate resources (such as technical experts) are used to deal with such matters.
* SAIs should ensure that applicable standards are followed in all work carried out, and if any requirement in a standard is not followed, SAIs should ensure the reasons are appropriately documented and approved.
* SAIs should ensure that any differences of opinion within the SAI are clearly documented and resolved before a report is issued by the SAI.
* SAIs should ensure appropriate quality control policies and procedures are in place (such as supervision and review responsibilities and engagement quality control reviews) for all work carried out (including financial audits, performance audits, and compliance audits). SAIs should recognise the importance of engagement quality control reviews for their work and, where an engagement quality control review is carried out, matters raised should be satisfactorily resolved before a report is issued by the SAI.
* SAIs should ensure that procedures are in place for authorising reports to be issued. Some work of SAIs may have a high level of complexity and importance that requires intensive quality control before a report is issued.
* If SAIs are subject to specific procedures relating to rules of evidence (such as SAIs with a judicial role), they should ensure that those procedures are consistently followed.
* SAIs should aim for timely completion of audits and all other work, recognising that the value from the work of SAIs diminishes if the work is not timely.
* SAIs should ensure timely documentation (such as audit work papers) of all work performed.
* SAIs should ensure that all documentation (such as audit work papers) is the property of the SAI, regardless of whether the work has been carried out by SAI personnel or contracted out.
* SAIs should ensure appropriate procedures are followed for verifying findings to ensure those parties directly affected by the SAI’s work have an opportunity to provide comments prior to the work being finalised, regardless of whether or not a report is made publicly available by the SAI.
* SAIs should ensure that they retain all documentation for the periods specified in laws, regulations, professional standards and guidelines.
* SAIs should balance the confidentiality of documentation with the need for transparency and accountability. SAIs should establish transparent procedures for dealing with information requests that are consistent with legislation in their jurisdiction.

**Element 6**: Monitoring**Key principle**:**An SAI should establish a monitoring process designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant and adequate and are operating effectively. The monitoring process should:** 1. **include an ongoing consideration and evaluation of the SAI’s system of quality control, including a review of a sample of completed work across the range of work carried out by the SAI;**
2. **require responsibility for the monitoring process to be assigned to an individual or individuals with sufficient and appropriate experience and authority in the SAI to assume that responsibility; and**
3. **require that those carrying out the review are independent (i.e. they have not taken part in the work or any quality control review of the work).**

**Application guidance**:* SAIs should ensure that their quality control system includes independent monitoring of the range of controls within the SAI (using personnel not involved in carrying out the work).
* If work is contracted out, SAIs should seek confirmation that the contracted firms have effective systems of quality control in place.
* SAIs should ensure the results of the monitoring of the system of quality control are reported to the Head of the SAI in a timely manner, to enable the Head of the SAI to take appropriate action.
* Where appropriate, SAIs should consider engaging another SAI, or other suitable body, to carry out an independent review of the overall system of quality control (such as a peer review).
* Where appropriate, SAIs may consider other means of monitoring the quality of their work, which may include, but not be limited to:
* independent academic review;
* stakeholder surveys;
* follow-up reviews of recommendations; or
* feedback from audited organisations (e.g. client surveys).
* SAIs should have procedures for dealing with complaints or allegations about the quality of work performed by the SAI.
* SAIs should consider whether there are any legislative or other requirements to make monitoring reports public or to respond to public complaints or allegations related to the work carried out by the SAI.
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