



Enhancing the Stakeholders'
Confidence:
Audit Management Integrity,
Accountability and the Tone at the Top

Assoc. Prof. Recai AKYEL
The President of Turkish Court Of Accounts

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Enhancing the Stakeholders' Confidence



For enhancing good governance in public sector and thus, enhancing the stakeholders' confidence an SAI shall adopt and implement these principles:

- Audit management integrity
- Accountability
- Tone at the top



Audit Management Integrity, Accountability, Tone at the Top



The main responsibility of SAIs is to contribute to the transparency and accountability of the management of public funds.

To fulfil this responsibility SAIs shall carry out quality audits and produce quality audit reports.



Audit Management Integrity, Accountability, Tone at the Top



As external audit bodies of each country, SAIs need to adhere to quality standards and at the same time auditors should hold the banner of objectivity, independence, professional scepticism and accountability to the public by performing quality audit work. (IFAC Transnational Auditors Committee, 2007:5)



Audit Management Integrity, Accountability, Tone at the Top



How an SAI, and especially Head of an SAI, can ensure quality work? The answer lies beneath the concept of 'tone at the top':

“Quality within any organisation is not achieved spontaneously but requires a specific approach led by management. (EUROSAI Working Group Report, 2010: 33)



Concepts

- Stakeholders' confidence
 - Audit management integrity
 - Accountability
 - Tone at the top
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Stakeholders' Confidence



Who are the stakeholders of an SAI?

- Auditees
- Citizens
- Civil Society Organizations (CSOs)
- Parliament

What does stakeholders' confidence mean?

Trust of the Parliament, auditees and public, in general, to the outputs of SAI.



Audit management integrity



Conducting audits with competent and independent staff who adopt a well-established code of conduct and execute the audits in accordance with laws and professional standards.



Audit management integrity



Conditions:

- Qualified auditors
- Code of conduct
- Open and well-defined audit procedures
- Adequate monitoring by management



Accountability



Accountability for SAIs stands for their responsibility for planning and conducting the scope of their work and using proper methodologies and standards to ensure that they promote accountability and transparency over public activities, meet their legal mandate and fulfil their responsibilities in a complete and objective manner. (ISSAI 20, 2010: 3)



Tone at the top

- Leadership responsibilities for ensuring the quality of the products and services institution provides.
- The standard set by the organization's leadership whereby performance is measured; the culture within which the members of the organization operate; the tone set by senior management; irrespective of management's documented strategy and policies, it is the force that drives individual professionals; the 'unseen hand' that direct activities regardless of management's proximity to the action; and a commitment to the quality of care clients receive." (IFAC Transnational Auditors Committee, 2007: 8)



Audit Quality



SAIs are responsible of auditing the public institutions and examining on their accounts, financial statements and internal control structure and making them suggestions in order to contribute to good governance in public sector.

As an external audit body that leads by example an SAI shall ensure providing quality work.



Audit Quality and Tone at the Top



Achieving quality audits shall be the highest aim of SAIs. In order to realize this aim heads of SAIs should set the right tone at the top.

The reputation of SAIs is based on the quality of their output. However, quality cannot be achieved spontaneously or randomly. This is the responsibility of the Head of SAI to make sure that audits and audit reports are of high quality.



How to set right tone at the top



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- Set the strategy for meeting ethical standards and quality, communicate the strategy internally and externally.
 - Adopt international standards on quality control
 - Recruit competent and qualified staff
 - Review and evaluate the implementation of quality management system



Elements of a system of quality control



- Leadership responsibilities
- Relevant ethical requirements
- Acceptance and continuance of client relationships
- Human resources
- Engagement performance
- Monitoring



Leadership responsibilities for quality



“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” (ISSAI 40, 2010: 5)

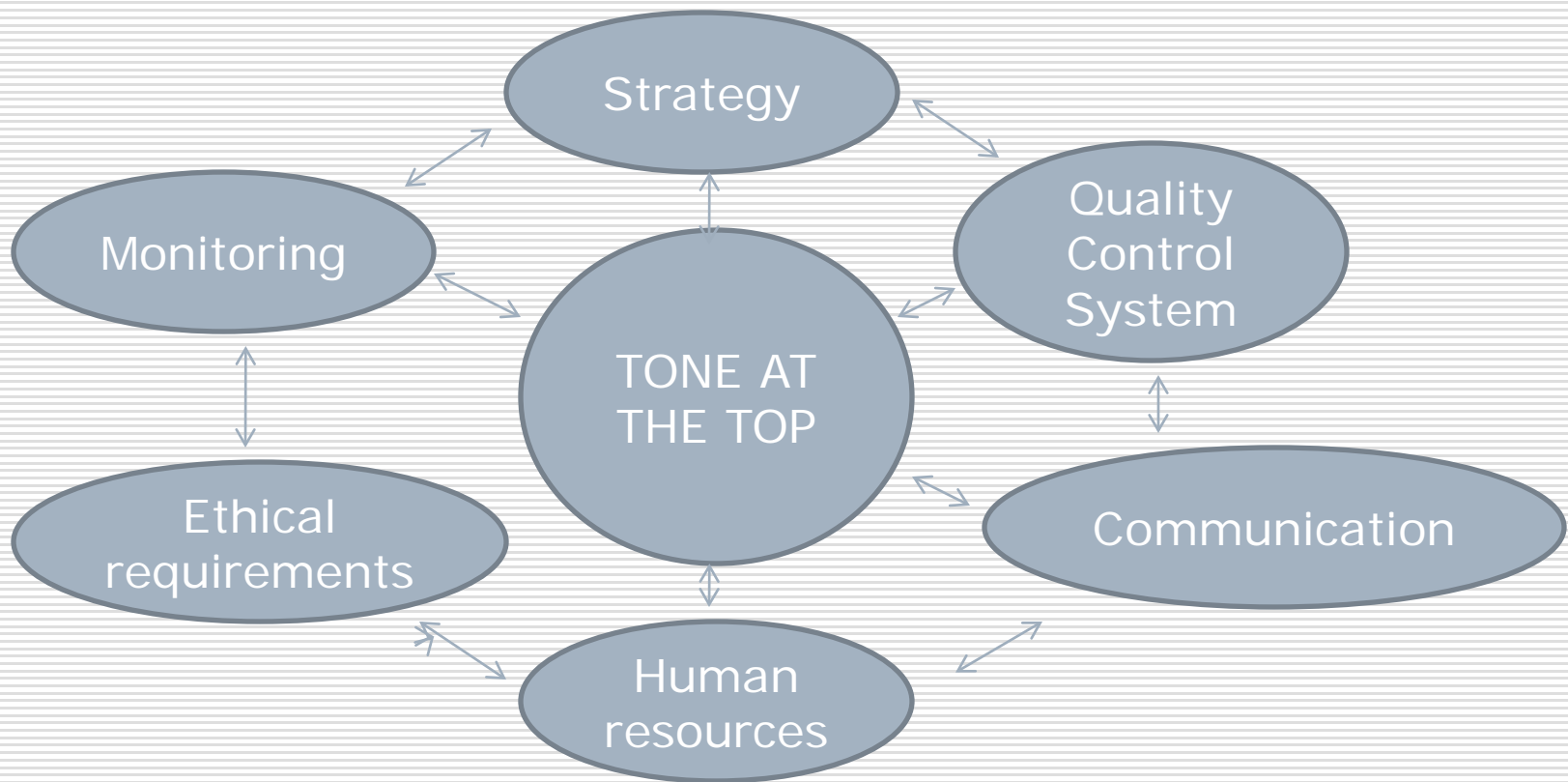


Leadership responsibilities for quality



The Head of the SAI should strive to achieve a culture that recognises and rewards high quality work throughout the SAI and ensure that sufficient resources are available to maintain the system of quality control within the SAI. (EUROSAI Working Group Report, 2010: 33)

Audit Quality





Tone at the Top and Strategy

Head of the SAI should explicitly state his/her will on audit quality and have a strategy for providing it.

Objectives and the tools to achieve these objectives shall be determined.

Risks need to be assessed and actions to mitigate them shall be taken.



Tone at the Top and Quality Control System



The Head of the SAI is the one responsible for overseeing that a system is developed and personnel acts in accordance with the requirements of this system. The quality control system is directly related with internal control, or management control, which helps to provide reasonable assurance that the organization:

- adheres to laws, regulations, and management directives;
- promotes orderly, economical, efficient, and effective operations and achieves planned outcomes;
- safeguards resources against fraud, waste, abuse and mismanagement;
- provides quality products and services consistent with the organization's mission and
- develops and maintains reliable financial and management information and fairly discloses that data through timely reporting. (ISSAI 9120: 1)



Tone at the Top and Communication



Internal communication:

Management should inform all personnel about the strategy for quality audit and the tools that are going to be adopted to achieve the strategy. In this way management or the Head of the SAI can make sure that each employee is aware of the requirements they need to meet in terms of providing quality audit. (IFAC Transnational Auditors Committee, 2007: 15)



Tone at the Top and Communication



External communication:

Stakeholders of an SAI, the parliament, auditees, citizens and the media should be well informed about the concepts of integrity, objectivity, independence, professional scepticism and accountability.

External stakeholders should be informed about the strategy of the SAI as well, by the Head of the SAI.



Tone at the Top and Communication



'A quality audit is the result of internal management checks and external review, good communication with the auditee, and rigorous structure and drafting, which lead to clear messages and effective recommendations'. (INTOSAI Capacity Building Committee, 2010: 6)



Tone at the Top and Human Resources



The Head of the SAI shall make sure that the staff is competent and qualified so that integrity can be maintained.

The principles of independence, objectivity, impartiality and professional secrecy should be reinforced by the staff.



Tone at the Top and Ethical Requirements



In order to maintain audit management integrity, SAIs should adopt a code of conduct and relevant international ethical requirements.

The Head of the SAI shall adopt international ethical principles and communicate those to the staff explicitly.



Tone at the Top and Ethical Requirements



Independency of SAIs and auditors shall also be guaranteed besides adoption of ethical principles.

Good governance includes clearly articulated ethical values, objectives, and strategies; proper tone at the top; and internal control. It should align policies and procedures to encourage behaviour that is consistent with the organization's ethics and integrity values. (The Institute of Internal Auditors, 2006: 3)



Tone at the Top and Monitoring



The Head of SAI should establish a well-functioning monitoring mechanism in order to follow-up the implementation results for strategy, quality control system, communication, human resources and ethical requirements.

For setting the right tone at the top the Head of the SAI should follow-up the whole system and see the results for himself/herself.



TCA EXPERIENCES



The TCA experiences and current situation in accordance with international auditing standards



Audit management integrity



Independence of TCA and auditors:
“Turkish Court of Accounts shall have functional and institutional independence in carrying out its duties of examination, audit and taking final decision conferred by this Law and other laws”.

(The TCA Law, Article 3)



Audit management integrity



Independence for publishing audit reports:
“Reports of Turkish Court of Accounts, except for the cases forbidden to be announced by laws, shall be announced to the public by the President of Turkish Court Of Accounts or deputy president assigned by him within fifteen days as of the submission of reports to the TGNA and related public administrations”.

(The TCA Law, Article 44)



Audit management integrity



Independence on audit scope:

TCA determines an audit scope and audit plan ever year according to some pre-established criteria like budgetary importance, Parliamentary interest or high risks. This system ensures audit management integrity.



Audit management integrity



Budgetary independence:

TCA has the authority to manage its own budget and allocate it appropriately.



Tone at the top

Legal provisions for ensuring quality in conducting audits:

"... Audit shall be carried out in accordance with the generally accepted auditing standards.

TCA and auditors shall carry out audit activities independently and impartially.

For effective fulfilment of audit function, technical and professional competencies of the personnel of TCA shall be developed.

For maintaining quality assurance, each stage of audit shall be reviewed constantly in terms of its conformity with audit standards, strategic plans, audit programs and professional code of ethics."
(The TCA Law Article 35)

Tone at the top

Quality Control Procedures for Audit Quality

Hot review

- Team leader review
- Head of Group review
- Audit Planning and Coordination Group review
- Chambers review
- Report Evaluation Board review

Cold review

- Audit Planning and Coordination Group review
- Internal peer review



Tone at the Top

Other tools for ensuring audit quality:
Audit Management Software Program

- Organizing audit work
 - Recording auditors' works, tests and findings
 - Enabling the management to monitor both audit procedures and quality control procedures.
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Accountability

Development of a communication plan:
Through the policies in this plan the TCA aims at gaining the support and improving the motivation of the staff in terms of application of quality control procedures.



Accountability

External communication:

TCA's communication plan will also determine the policies for external communication. These policies will help TCA communicate the quality outputs to stakeholders, gain their confidence and ensure accountability.

Tools for improving external communication:

- The accountability reports
- Transparency or publicity reports



Accountability

External communication:

TCA publishes accountability report every year in which TCA's annual activities are indicated. The aim is to account for the public resources TCA has used for that year.



Accountability

Communication with the Parliament:

“ The President of Turkish Court of Accounts shall inform the Turkish Grand National Assembly Plan and Budget Committee at least twice a year, and where necessary, the related Committees with regard to the activities of Turkish Court of Accounts”
(The TCA Law, article 21)



Accountability

TCA Strategic Plan

Determining the explicit strategy for executing audits and producing quality audit reports

Determining the risks for ensuring audit quality and risk mitigating activities

Development of an assessment and monitoring system



Conclusion

SAIs should adhere to the principle of accountability themselves and ensure audit quality.

If SAIs manage to ensure audit quality and audit management integrity, then their contribution to good governance in public sector will be valuable and they will ensure enhancing the stakeholders' confidence.

The management should set the right tone at the top to ensure audit quality.



THANK YOU