

R
H Der Rechnungshof
Unabhängig. Objektiv. Wirksam.

ISSAI



2013

10.12.2013 S. 1


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300 pages in 30 minutes - what can we do?

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Create Interest!

If you want to build a ship, don't assign tasks, but teach people to long for the the sea. (Antoine de Saint-Exupery)



Aims of the presentation

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- Background (a little bit of history and philosophy)
- The three main parts
- A few important points (definitions, elements, assurance and principles)

History I: ISSAI 3.000

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History II: some basic thoughts

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- ISSAI 3000 - well established text, >100 pages, open, „putting P.A. on the map“ - framework: comments to old level three (then stand alone standards)
- Then: new framework (“ISSAI”) and dual approach, implicit: new thoughts about what a standard should achieve, new bodies (“PAS”)
- Attempts to adapt: ISSAI 3.100 (too early? Too late?), Appendix to 3.100 (good but different?)

9 2 6 1 3 7 9 4 0 5 1 8 6 3 8 5 4 4 9 1 8 2 2 3 7 9 9 4 0 5



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Now: ISSAI 300 – together with 100, 200 and 400, consistent framework

9 2 6 1 3 7 9 4 0 5 1 8 6 3 8 5 4 4 9 1 8 2 2 3 7 9 9 4 0 5

The present: „Repeat after me: A/66/209“

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A big step

Increased visibility



Verenigde Naties
Generalversammlung
Resolutie A/66/209
Förderung einer effizienten, rechenschaftspflichtigen, wirksamen und transparenten öffentlichen Verwaltung durch Stärkung der obersten Rechnungskontrollbehörden
Die Generalversammlung,
Unter Hinweis auf die Resolution des Wirtschafts- und Sozialrats 2011/2 vom 26. April 2011,
Sowie unter Hinweis auf ihre Resolutionen 59-55 vom 2. Dezember 2004 und 60/34 vom 30. November 2005 und ihre frühesten Resolutionen über öffentliche Verwaltung und Entwicklung,
Ebenso unter Hinweis auf die Millenniumserklärung der Vereinten Nationen,

9 2 6 1 3 7 9 4 0 5 1 8 6 3 8 5 4 4 9 1 8 2 2 3 7 9 9 4 0 5

...higher expectations



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„Professionalism, Quality, Credibility“



The new 300 - What is it?

- It does give a consistent framework (what's public sector auditing, what's performance auditing, which elements are important, what are overarching principles, how is the process structured, etc.)
- It contains essential value judgements to guide professional judgement
 - Its not a checklist, and its not a "how to"
- It needs implementation (standards are not manuals, standards are not educational tools)

The future

- ISSAI 300 contains "principles" not standards – reference should be made to level 4 or national standards
- ISSAI 3000 is commentary to non-existing documents (old level three)
- Status of ISSAI 3.100 and appendix is somewhat unclear
- Work Plan of PAS: develop a new structure of guidance on level 4 and a "standard"
- Future structure of PSC somewhat open (expertise vs. inclusiveness)

Different Models


- ISA (long, many focussed papers, specific style (judgement/process, etc.)
 - UN – Papers
http://uneval.org/papersandpubs/documentdetail.jsp?doc_id=22
- Implementation (Icat, PMF, education, etc.)
- Topic specific considerations (IT, environment, etc.)

May you live in interesting times

Aims of the presentation

- Background (a little bit of history and philosophy)
- The three main parts
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Three big parts



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- Framework (Definition, Goals, Elements, Authority)
 - General Principles
 - Process - Related Principles

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Aims of the presentation

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- Background (a little bit of history and philosophy)
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Whats an audit? - IAASB Framework


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STRUCTURE OF PRONOUNCEMENTS ISSUED BY THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

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    graph TD
      A[ISBA Code of Ethics for Professional Accountants] --> B[Services Covered by IAASB Pronouncements]
      B --> C[ISQCs 1-99 International Standards on Quality Control]
      C --> D[International Framework for Assurance Engagements]
      D --> E[Audits and Reviews of Historical Financial Information]
      D --> F[Assurance Engagements Other than Audits or Reviews of Historical Financial Information]
      E --> G[ISAs 100-399 International Standards on Auditing]
      F --> H[ISAEs 2000-3699 International Standards on Assurance Engagements]
      G --> I[ISREs 2000-2699 International Standards on Review Engagements]
      H --> J[Related Services]
      J --> K[ISRSs 4000-4699 International Standards on Related Services]
  
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Definition of Public Sector Audit



- Start with constitutional framework, trust by taxpayer and public money,
- a systematic process of objectively obtaining and evaluating evidence to determine whether information or actual conditions correspond with established criteria.
- (not: process to reduce audit risk – i.e. not discovering a material miss-statement to an acceptable level)
- Equal footing for financial, compliance and performance auditing



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„Elements of the audit“



- A principle agent framework (3 parties) – puts the issue of accountability “back” into P.A.
- the issue of assurance – emphasizes the “auditing” part in P.A. and
- subject matter (information) and criteria
- Auditors should be explicit in developing the elements of the audit, understand their implications and perform their audit accordingly.

What is a Performance Audit?


- Definitions of 3Es
- Not all questions are solved - outcomes/output,
- Limits of auditing - goals/needs?
- Empirical evidence, critical thinking - Underlying conditions? („good governance“, management, etc.)
Details (e.g. timeliness, etc.)

Assurance

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Safety Assurance

Don't worry, it'll be fine.
Trust me



Assurance

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21. users of performance audit reports seek confidence about the reliability of information as the basis for their decisions.

They therefore expect reliable reports which set out the SAIs' evidence based position on the subject examined. Thus, performance auditors should in all cases provide findings based on sufficient and appropriate evidence and actively manage the risk of inappropriate reports.

However, the performance auditor is not normally expected to provide an overall opinion on the achievement of economy, efficiency and effectiveness on the level of the audited entity in the same way as the opinion on financial statements. This is also not a requirement of the ISSAI framework.

Assurance

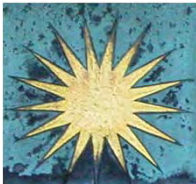
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22. The level of assurance that a performance audit report provides should be communicated in a transparent way.

- either through an overall view on aspects of economy, efficiency and effectiveness, when the audit objectives, the subject matter, the evidence obtained and the findings reached allow for such conclusions,
- or by providing specific information in the report on different points, including the audit objectives, the questions asked, the evidence obtained, the criteria used, the findings reached and the specific conclusions.

Why should they believe us?

„17 Principles that define credibility for public sector auditing“



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ISSAI 100 Overview

Figure 3: Areas covered by the principles for public sector auditing

Objective, Approach, Criteria

GENERAL PRINCIPLES

- ~~Integrity & Independence~~
- Professional judgment, due care and scepticism
- Quality control
- Engagement team management & skills
- Audit risk
- Materiality
- Documentation
- Communication

PRINCIPLES RELATED TO THE AUDIT PROCESS

Activities related to planning the audit

- Establish the terms of the audit
- Obtain an understanding
- Conduct risk assessment or problem analysis
- Consider risk of fraud
- Develop an audit plan

Activities related to performing the audit

- Perform the planned audit procedures to obtain audit evidence


Activities related to evaluating audit evidence, concluding and reporting

- Evaluate audit evidence and draw conclusions
- Prepare report
- Follow up on reported matters as relevant

Follow Up

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Example - documentation



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Principles: ISSAI 300

ISSAI 300: Information should be sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations.

ISSAI 100: Auditors should prepare audit documentation that is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained and conclusions reached.

Audit documentation should include an audit strategy and audit plan.

It should record the procedures performed and evidence obtained and support the communicated results of the audit.

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Proposals for 3000: like 300 or.... (1/2)

The auditor shall include the following elements in the audit documentation:

- a) details of audit planning , including objectives and scope,
- b) criteria and its sources;
- c) methods and techniques applied and corresponding limitations,
- d) risk assessment of the subject matter,
- e) procedures performed,
- f) results of the field work and data analysis,
- g) audit evidence ,
- h) supervisory reviews,
- i) the examination of feedback received to the draft audit report, comprising reasons for making changes or for rejecting arguments,

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Proposals (2/2)



j) communication with the audited body,

k) description on how different viewpoints in the audit team were dealt with,

l) the reasoning behind all significant matters that required the exercise of professional judgement, and the related conclusions.

m) The auditor shall prepare documentation in due time and before the audit report is issued.

Your responsibility remains



BE THE ONE
TO GUIDE ME
BUT NEVER
HOLD ME DOWN

Offer to communicate



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PAS (chair: Brasil)

Thank you