



# Strategic considerations before implementing the ISSAIs

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## Background

Revision and update of audit rules consisting of 64 provisions which

- > include succinct rules about
  - objective and scope of audits
  - selection of audit topics
  - planning, conducting and reporting of audits
  - publication or delivery of audit findings to other institutions
- > apply basically to all types of audits

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## Reasons for revising audit rules

- > amendments in legal environment
- > procedures were adapted to practical needs, diverging from applicable rules
- > need to safeguard that international standards are complied with by the German SAI

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## Strategic considerations

### National context of the project

- > Members of German SAI are independent
- > status like judges
- > decisions, as a rule, are made unanimously by two Members
- > independence is very far reaching, it fends off any kind of influence on decision making
- > besides legal provisions only the Board as supreme body is mandated to issue binding rules

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## Strategic considerations

### Relevance of ISSAI in national context

**"INTOSAI's fundamental auditing principles recognise that due to the differing approaches and structures of SAIs, not all auditing standards apply to all aspects of their work."**

**"However, INTOSAI advocates that each SAI should establish a policy which has regard to INTOSAI standards".**

*Performance Audit Guidelines Key Principles - Introduction*

**"...the SAI itself should decide how and to what extent the guidelines are to be used in its own practices."**

**"The guidelines take into account relevant INTOSAI standards and are based on generally accepted principles of performance auditing, distilled from the experience of INTOSAI members."**

*ISSAI 3000 - Introduction*

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## Strategic considerations

### Options for implementation

- comprehensive and literal incorporation into the SAI's regulatory framework - copy and paste
- a selection of ISSAIs or passages in partly literal or redrafted version included in framework in place
- **gap analysis and amendment of regulatory framework where necessary**

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### Selected approach for implementation

#### gap analysis

based on

- prerequisites for the functioning of SAIs  
ISSAIs 20, 30 and 40
- fundamental auditing principles  
ISSAIs 100 – 400

limited to the key stages of an audit procedure, such as selection of audit topics, planning, conducting of audits, reporting and follow-up.

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### Procedure of gap analysis

- identify relevant provisions in audit rules and corresponding standards
- determine the rate of compliance by comparison against wording and spirit of the standards – is there a gap?
- assess the materiality of the gap detected

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### Procedure of gap analysis

a gap may appear as a

- difference in wording or position
- patchy or partial implementation
- complete ignorance of ISSAI as to particular aspects
- conflicting provisions in national framework

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## Strategic Considerations

### Procedure of gap analysis

- identify and evaluate potential steps to reduce/close gap
- decide whether these steps are
  - admissible according to the legal environment
  - necessary or beneficial to improve SAI's procedures

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## Strategic considerations

### Outcome

- volume and scope of audit rules as before
- structure clarified and streamlined
- rules for publication and dissemination of information adapted to current laws
- **compliance with ISSAI spirit widely confirmed, however, a few aspects have been incorporated or emphasised**

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## Case studies

### Risk assessment

#### ISSAI 300 (36)

*Auditors should select audit topics through the SAI's strategic planning process by analysing potential topics and conducting research to **identify risks and problems.***

The audit rules already provided for a risk based selection of audit topics, however, we felt that the relevant provisions were not sufficiently clearly structured.

- **By amending these rules in wording and position we raised the auditor's awareness for the process of risk analysis**

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## Case studies

### Follow up

#### ISSAI 300 (42)

**Auditors should follow up previous audit findings and recommendations wherever appropriate.**

Follow-up refers to the auditors' examination of corrective action taken by the audited entity ... on the basis of the results of a performance audit. It is an independent activity that increases the value of the audit process by strengthening the impact of the audit and laying the basis for improvements to future audit work.

Until recently follow-up was not done in a well-structured way

As a result, a new provision on periodic follow-up as a standard exercise has been included in the audit rules

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## Case studies

### ISSAI 20 - Code of Ethics

*A Code of Ethics is a comprehensive statement of the values and principles which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector auditor place high ethical demands on the SAI and the staff they employ or engage for audit work. A code of ethics for auditors in the public sector should consider the ethical requirements of civil servants in general and the particular requirements of auditors, including the latter's professional obligations.*

Ethical behaviour of the German SAI staff is governed by special law.

Illustrations were included in guidelines annotating the audit rules.

As a result of studying the ISSAI, a discussion is under way to develop a code of ethics for all staff.

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## Case studies

### Quality control

#### ISSAI 300 (32), ISSAI 40

Auditors should apply procedures to safeguard quality, ensuring that the applicable requirements are met and placing emphasis on appropriate, balanced and fair reports that add value and answer the audit questions.

ISSAI 40 - Quality Control for SAIs offers general guidance on the system of quality control established at the organizational level to cover all audits.

#### Decision:

Quality management will not be adapted,  
Tools provided by ISSAI 40 (EQCR, cold review) not introduced

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### Case studies

The **quality control system** is embedded in the audit rules on the audit procedure

The system focuses on the quality of results offering a widely permanent and parallel approach and

- has **proven** to be effective and reliable
- is **tailored to the particular environment**
- **complies with ISSAI's spirit and purpose**

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### Case studies

However, considering the issue of quality control gave rise to strengthening the rules about

#### *evaluating the audit procedure applied*

Formerly addressed in several provisions, this is now covered in a single provision.

- Auditors are clearly instructed to analyse whether they have followed the process as stipulated in the audit programme. They are required to assess the reasons for any deviations.

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### Strategic considerations

#### Current situation

- ✓ Revision - finalised new audit rules entered into force

#### What needs to be done

- manual is scheduled to be finalised within the next month containing significant reference to ISSAIs and best practice
- Code of ethics needs to be discussed and adopted

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**Questions  
and  
comments**

**- The floor is yours**

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