

Introduction

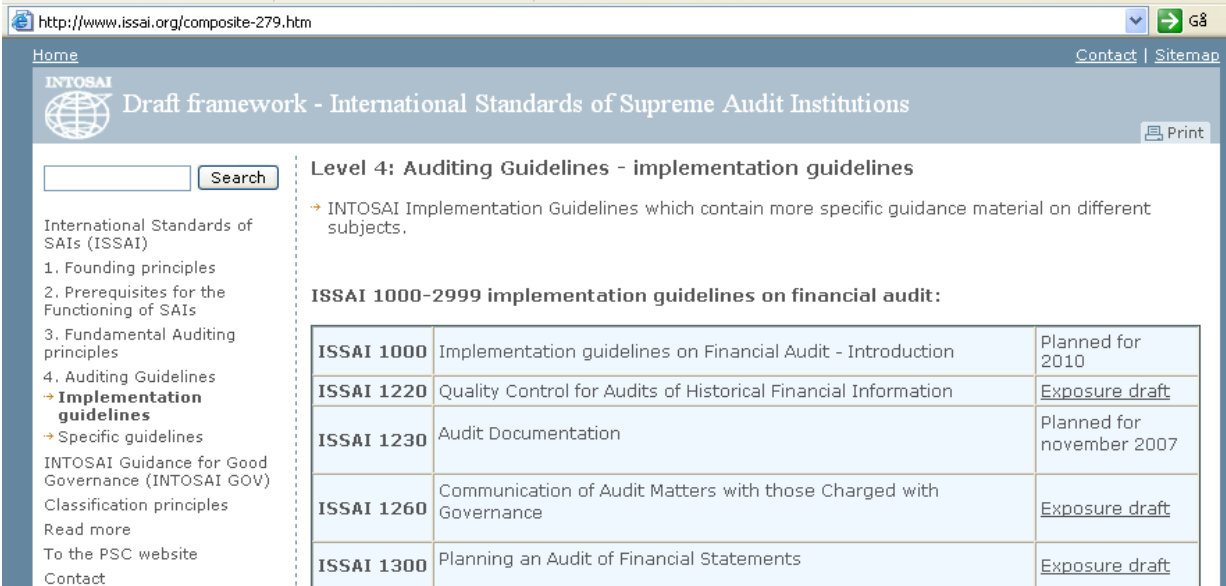
The Professional Standards Committee (PSC) of the International Organisation of Supreme Audit Institutions (INTOSAI) has in November 2006 to February 2007 conducted a survey on the needs and priorities of Supreme Audit Institutions (SAI) in the future development of professional standards. At its congress in November 2007 INTOSAI will decide on a new framework gathering INTOSAI's professional standards and guidelines under the name International Standards of Supreme Audit Institutions (ISSAI) at www.issai.org. The name INTOSAI Guidance for Good Governance (INTOSAI GOV) will be used for guidelines directed to administrative authorities. The purpose of the survey was to give directions to PSC on how the ISSAIs and INTOSAI GOVs may best be developed in the coming years.

A total of 100 SAIs...

A total of 100 SAIs have submitted their answers. This corresponds to 54% of INTOSAI's 186 members. 2 of the participating SAIs answered only parts of the questionnaire.

- of all kinds...

The group of participating SAIs reflects the diversity in INTOSAI very well. 56 have an auditor general or comptroller general, 20 are courts of audits or chambers of accounts, 9 are of the board-model, while 15 are of other types. Measured by the number of employees the survey includes small, medium sized as well as large SAIs.



The screenshot shows the website <http://www.issai.org/composite-279.htm>. The page title is "Draft framework - International Standards of Supreme Audit Institutions". The main content area is titled "Level 4: Auditing Guidelines - implementation guidelines". Below this title, there is a link: "→ INTOSAI Implementation Guidelines which contain more specific guidance material on different subjects." The page also features a table titled "ISSAI 1000-2999 implementation guidelines on financial audit:".

ISSAI Number	Guideline Title	Status
ISSAI 1000	Implementation guidelines on Financial Audit - Introduction	Planned for 2010
ISSAI 1220	Quality Control for Audits of Historical Financial Information	Exposure draft
ISSAI 1230	Audit Documentation	Planned for november 2007
ISSAI 1260	Communication of Audit Matters with those Charged with Governance	Exposure draft
ISSAI 1300	Planning an Audit of Financial Statements	Exposure draft

Fig.1. www.issai.org - contains the International Standards of Supreme Audit Institutions (ISSAI) and the INTOSAI Guidance for Good Governance (INTOSAI GOV).

- from around the world have given answers on...

The participating SAIs are also relatively equally distributed across the regions of the world. Members of EUROSAI are a little stronger represented than other regions, while CAROSAI and SPASAI are a little less well represented. The questionnaire was available in English, French, Spanish and Arabic.

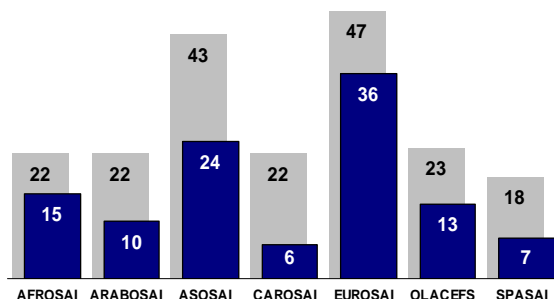


Fig.2. The number of SAIs, which have answered the survey, compared to the number of members of INTOSAI's regional groups
 Note: Some SAIs are members of more than one organisation

- 3 main themes.

The survey covered 3 main themes:

- What standards and guidelines are used by SAIs?
- What are the needs for audit guidance for the public sector?
- How may INTOSAI's standards and guidelines be improved in the coming years?

The main results related to each theme are presented in the following sections. More detailed information on the wording of the questions and answers received is presented in the annexed data report.

The use of standards and guidelines

In a series of questions, the SAIs were asked what standards they use for auditing and other tasks.

3/4 use INTOSAI's auditing standards ...

The answers show that 3/4 of the SAIs – 76 of the 100 SAIs – use INTOSAI

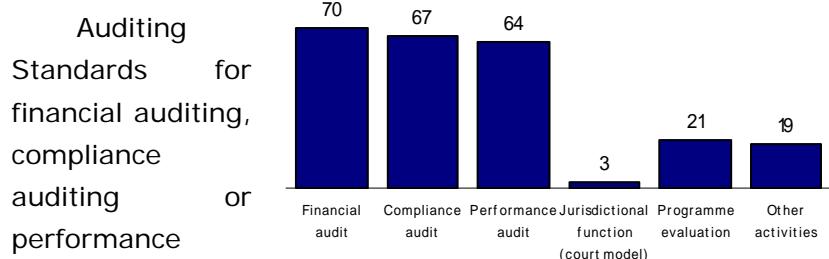


Fig. 3. Use of INTOSAI standards by activity

auditing. Most of these SAIs use the standards for all three branches of public auditing, while some SAIs also use the standards in connection with other tasks, e.g. programme evaluation. For each task, Fig. 3 shows the number of SAIs that have indicated that they use the INTOSAI standards.

- often in combination with standards from IFAC...

The answers reflect that many SAIs combine guidance material from more than one source for the purpose of their various tasks. Apart from INTOSAI's standards the most widely used are the International Standards on Auditing issued by the International Federation of Accountants (IFAC). Most use these standards in their financial auditing, but there are also some, who use them in compliance and performance audits. Fig. 4 shows how the use of standards from INTOSAI and IFAC coincide.

Of the 76 SAIs using INTOSAI auditing standards for auditing tasks, 55 also use the IFAC standards for some of the tasks.

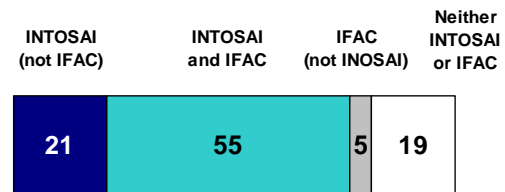


Fig.4. Standards used for financial auditing, compliance auditing or performance auditing

- and other sources...

In addition to INTOSAI and IFAC, a number of other sources provide standards used by SAIs. These sources are national standard setters, INTOSAI's regional organisations and the Institute of Internal Auditors (IIA). Some SAIs also make use of standards for public sector auditing from other countries.

This includes standards from USA, Canada and the European implementation guides to INTOSAI auditing standards issued by the SAIs of the EU countries.

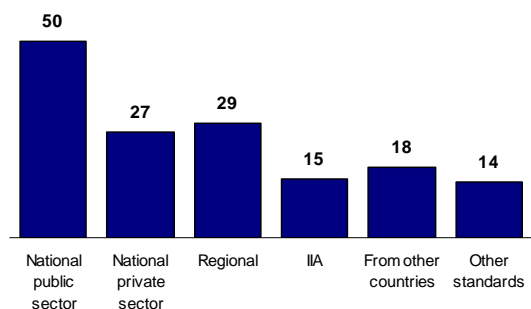


Fig. 5. Standards used for financial, compliance or performance auditing - by source (other than INTOSAI and IFAC)

- to enhance quality and credibility...

- in many different ways.

The survey also shows that the two main reasons for using international standards are to enhance quality in audits and to strengthen accountability and credibility of the SAI.

The SAIs use international standards in many different ways. Most SAIs use them to develop strategy and methodology of their auditing. In a little more than half of the SAIs, the standards are applied directly by auditors, while almost the same number use them as a basis for formulation of national standards and guidelines. The standards are also very widely used for education and certification and as reference points in audit reports and other external communications. It should

be added that there are no distinct differences in how the standards are used between the group of SAIs using IFAC standards and other SAIs.



Fig.6. Ways of using international standards

The public sector needs

The SAIs agree to PSC's approach...

The questionnaire stated that *the Professional Standards Committee's 'Dual Approach' implies that INTOSAI standards and guidelines should preferably be based on standards from other standard-setting bodies that are widely recognized among SAIs. By recognizing, utilizing and building on standards issued by other standard setting bodies to the maximum extent possible and appropriate, PSC will work to harmonize public sector auditing world wide. INTOSAI will develop complementary guidance where there is a special need and/or pressing concern in the SAI environment (For example on performance audit) and INTOSAI will seek to influence international standards to address issues of particular interest to SAIs.*

97 SAIs answered the question, as to whether this was an approach they could support. 2 answered that they disagreed with the approach, while 81 answered that the approach was appropriate. 14 chose instead to give a more extensive answer. While these were generally supportive, some emphasised the importance of improved audit guidance tailored to SAIs and some emphasised the importance of harmonisation between public and private sector standards. A few also called for a strengthening of INTOSAI's standard setting process.

- and find a need for specific guidance for SAIs.

There was broad consensus that there are some differences between public and private sector auditing and that there is therefore a need for special guidance for public sector auditing. As shown in fig. 7, 14 SAIs indicated that their needs include guidance on SAI institutional issues only. 61 SAIs answered that there are also differences in the auditing tasks that calls

for specific guidance. 9 find almost no similarities between public and private sector auditing in their country, why internal guidance on all aspects of public sector auditing would be helpful.

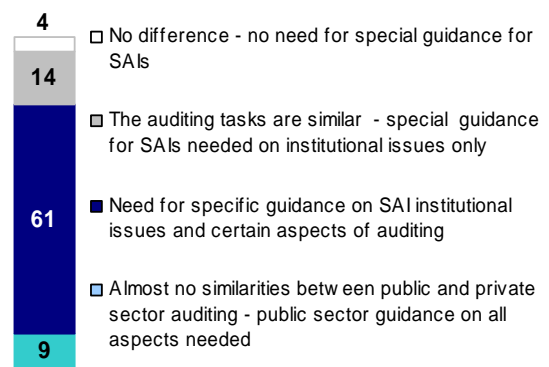


Fig.7. General view on the difference between public and private sector auditing and the need for special audit guidance for SAIs

Public and private sector differs in...

To shed further light on the issue, the SAIs were asked how the role of a SAI differs from private sector auditing. Generally, auditing standards covers the auditor's conduct throughout the process of carrying out audit engagements. The questions therefore concerned the different aspects of the process.

- the general purpose of the audit,...

In 81 of the participating countries, the general purpose of auditing in the public sector is to some extent different from auditing in the private sector. The differences most frequently mentioned concern the constitutional role of a SAI as a mechanism of democratic control and the relationship to

parliament. Compliance and performance auditing are also mentioned. Some have explained that compliance audit has a very different meaning in the public sector than in the private sector. Other mentions that public auditing facilitates improvements in the administration and that unlike the private sector it is not possible to measure the efficiency of public sector entities by their profit. A few have pointed to more specific areas. Corruption may thus be issues of concern in the public sector, while tax law is of importance in private sector auditing.

- the nature of accounts and activities,...

75 SAIs have answered that the nature of the audited accounts and activities in the public sector differ in some aspects from the private sector. Most frequently mentioned is the use of cash-based accounting in the public sector as opposed to accrual based in private firms. A few SAIs have also mentioned areas that are of special importance in the public audit, e.g. audit of grant schemes and social payments, public investments and constructions, public procurements and public debt.

- the reporting procedure....

75 indicate that the reporting procedure of public sector auditing in their country differs from private sector auditing. In most cases these are related to the fact that SAIs report to parliament in accordance with national rules or practices while auditing firms issue certifications on accounts on the basis of international standards. In addition, some SAIs mention that they cannot reject to issue an opinion, some that their reports are public and some that their reports must be more comprehensive than those issued by other auditors.

- and the auditor-auditee relationship.

65 SAIs have answered that there are differences between public and private sector auditing with regard to the relationship between the auditor and the audited entity. Common to their answers is that the concerns and safeguards of independence are different in the public and the private sector. SAIs are public authorities and determine on the basis of their legal mandate and budget, how to best carry out their audits of a fixed number of entities within their remit. In contrast, clients pay for the services of private auditors and are free to choose and replace their auditors at will. Some also mention that SAIs primarily report to parliament while private auditors normally report to their clients (e.g. a board of directors). A few SAIs also point to

their strong legal powers, when requesting information from clients.

**Compliance auditing
may also differ,...**

There are more divergent views on whether there are differences in the methods and principles used in the auditing. 43 SAIs found that this is the case for compliance audit. 38 SAIs did not, and 19 gave no opinion on this question. Among those to whom a difference exists, some explain that even though the same word - 'compliance' auditing - is used by private auditors and SAIs the word is used in very different meanings. Others indicate that compliance audit is much less important or does not exist in the private sector in their country. Some emphasize that compliance audit is an integrated part of the SAI's audit and comprises the total body of applicable public law while private auditor's tasks will usually be of more limited scope. It is also mentioned that reviews of compliance with administrative procedures and regulations serve to safeguard public funds.

**- while financial
auditing is more often
alike...**

Within financial auditing, 40 SAIs find that there are differences in the methods and principles of auditing. However, a majority of 50 SAIs see no such differences. The comments given by the SAIs seem to suggest agreement that common methods and principles in the public and private sector are desirable in principle, while the disagreement seems to concern whether it would be possible to eliminate all differences. Some answers reflect that differences in the relevant considerations of materiality and the kind of risks involved, may give rise to different auditing approaches. It is also mentioned that financial audit of a SAI is closely tied to the appropriation control and audit of legality of transactions. The audited public accounts should thus provide assurance that means are used with due care as decided by parliament, while an auditor's certification of company accounts should provide assurance regarding information that may impact the value of the company.

Because performance audit is a concept of INTOSAI and is not comparable to concepts in private sector auditing the PSC steering committee has decided not to include a similar question on the principles and methods of performance audit.

- and there are often no differences in the documentation requirements.

The majority of SAIs answer that there are no differences between public and private sector when it comes to the documentation requirements. 31 SAIs, however, indicate that there are some differences in their country, as requirements of their documentation are regulated by public law or a more detailed documentation is required in the public sector.

Improving INTOSAI standards and guidelines

The questionnaire referred to the existing and planned INTOSAI standards and guidelines on www.issai.org and contained a series of questions on the needs for further improvement.

There are many suggestions for new standards...

The SAIs were asked if there were any issues, not covered by the existing INTOSAI Auditing Standards, where development of new standards would be relevant. 53 SAIs answered that they found no such issues. 41 SAIs suggested a number of different issues where standards could be elaborated. 4 SAIs commented that the INTOSAI Auditing Standards are not very useable, and should be more detailed. On similar grounds, 1 SAI suggested that INTOSAI's standards should be abolished and replaced by the planned

Standards	Guidelines
<i>Performance auditing (4)</i>	<i>Audit of performance statements</i>
<i>Risk analysis in performance auditing</i>	<i>Performance assesment systems - indicators</i>
<i>Audit of performance statements</i>	<i>Systems audit - relation to substance testing</i>
<i>Compliance auditing (2)</i>	<i>Incomplete accounts</i>
<i>Risk based standards for financial audit</i>	<i>conflict of interests</i>
<i>Systems evaluation – internal controls (2)</i>	<i>grants and subsidies</i>
<i>Risk assessment (4)</i>	<i>Risk assesment</i>
<i>Risk management</i>	<i>Work of other auditors</i>
<i>IT audit - audit in an IT environment (5)</i>	<i>IT audits (4)</i>
<i>Corruption and fraud (4)</i>	<i>Role of IT – also for competence building</i>
<i>Forensic audits (2)</i>	<i>Fraud - as in ISA 240, 401</i>
<i>Internal control standards</i>	<i>Corruption</i>
<i>Audit quality (2)</i>	<i>Audit quality</i>
<i>Quality control review of each SAI</i>	<i>Human Resource management in SAIs</i>
<i>Environmental issues (2)</i>	<i>Environmental auditing</i>
<i>Standards for courts</i>	<i>Norms on publication of the results of SAIs</i>
<i>Business intelligence - Pre-audits</i>	<i>Business intelligence - Pre-audits</i>
<i>Financing of Terrorism</i>	<i>Health care systems</i>
<i>Group financial statements (based on ISA 600)</i>	<i>Group Financial Statements - as in ISA 600</i>
<i>Money laundering</i>	
<i>Islamic-based transactions or risk-sharing principles</i>	
<i>Best practice in government reforms</i>	
<i>Pension funds</i>	
<i>The concept of accountability</i>	
<i>Evaluation of public policies</i>	

Fig.8. Suggested areas where INTOSAI's standards and guidelines could be improved.

Where more than one SAI has given the same suggestion, the number of SAIs is indicated in parenthesis ()

practice notes to IFAC's standards and INTOSAI's implementation guidelines on performance auditing. 1 SAI called for differentiation in standards between more and less developed countries.

- and guidelines.

A number of SAIs also suggested issues to be covered in guidelines. The suggested areas of improvement of INTOSAI Auditing Standards and implementation guidelines are summarized in fig.8.

The guidelines are needed...

In order to determine how PSC should prioritise its resources a series of questions concerned the need for elaboration of the guidelines in different areas. For each area, the SAIs could indicate that the guidelines needed elaboration, were satisfactory or that no guidelines were needed. The answers reflect that there is a general need for INTOSAI guidelines. Only very few SAIs have answered that no guidelines were needed in the areas mentioned.

-and should be further elaborated...

The vast majority of SAIs indicated a number of areas where guidelines should be elaborated in the coming years. The answers show however no strong indication of which areas to put on the top of the priority list.

- in all areas ...

Fig. 9 shows the number of SAIs that have indicated a wish for elaboration of guidelines for financial audit, compliance audit, performance audit or audit of internal control. 67 would welcome elaborations of guidelines on compliance auditing. Only a few less find a need for more elaborate guidelines on financial auditing,

performance auditing and internal controls.



Fig. 9. Number indicating that guidelines should be elaborated – by branch of audits

At the time of the survey, some guidelines were already in use and others were planned. While the INTOSAI Implementation guidelines for Performance Auditing were adopted in 2004, the first financial auditing and compliance auditing implementation guidelines are planned for 2007. A set of guidelines for Internal Control Standards for The Public

Sector and a number of related documents are available. However, these guidelines provide guidance on good governance rather than auditing of internal controls. In addition a number of guidelines have been issued on audit work within special fields, e.g. international institutions, environmental auditing, privatisations, IT and public debt. It is not clear how these differences in the availability of guidelines have influenced the figures.

- especially on audit methods.

Further guidance on auditing methods seem to have higher priority than e.g. guidance on reporting. Fig. 10 shows the number of SAIs who has indicated that guidelines on financial audit, compliance audit or performance audit should be elaborated. A total of 75 SAIs find that the guidelines should be elaborated

with regard to auditing methods, while a little fewer wishes elaborations on the process of planning and carrying out audits, on documentation requirements and on reporting.

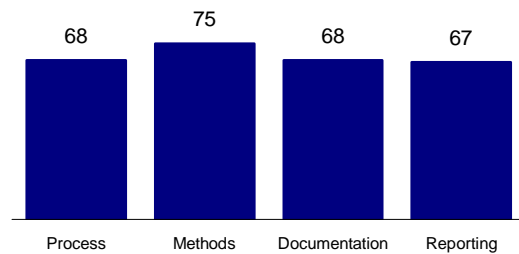


Fig. 10. Number indicating that guidelines should be elaborated – by topic

Existing guidelines are not too bad...

There is some level of satisfaction with the content of the existing guidelines. 20 agree strongly that they are generally user friendly while 65 agree somewhat. The guidelines are not considered to be too abstract. 23 agree strongly and 57 somewhat that the guidelines are sufficiently specific and practical. Most also find them

easy to locate on the internet. It should be noted, however, that links to www.issai.org were provided in the electronic questionnaire.

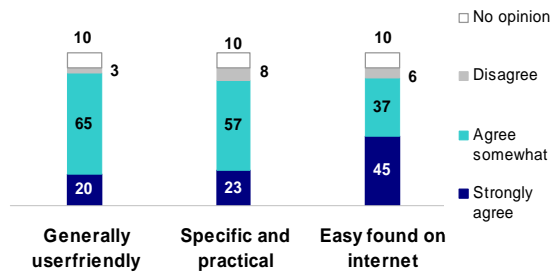


Fig.11. Agreement that INTOSAI guidelines are user friendly, specific and easily found on the internet

- but a common format would be good...

Most SAIs prefer all guidelines to have a common format across subject matter. 50 SAIs indicate that this is a suggestion the strongly agree to, while 21 say they agree somewhat.

These figures may conceal some

differences as to what the SAIs

understand by a common format.

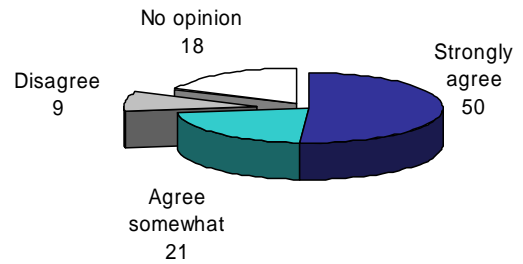


Fig.12. Agreement with the suggestion of a common format for guidelines

.. and perhaps also quicker translations.

The survey finally asked if it is a problem that guidelines are sometimes not available in all the official languages of INTOSAI shortly after final approval. Many SAIs say they have no opinion on this matter. Among those who have, a majority found that it is a problem. These answers come from all regions of the world from SAIs in French, Spanish, German and Arabic speaking countries as well as countries of other languages.

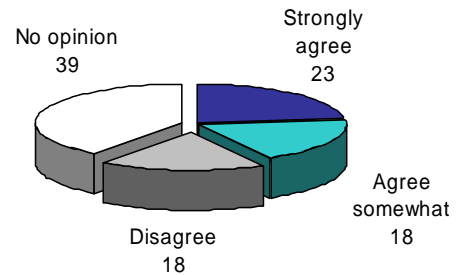


Fig.13. Agreement with the suggestion that late translation of guidelines is a problem