

**Exposure Comments
ISSAI 4000-4200**

	General comments	Specific comments ISSAI 4000	Specific comments ISSAI 4100	Specific comments ISSAI 4200
Albania	The Albanian SAI after considering the guides carefully has an overall positive input... with regard to the comments exposed on the letter sent.... to be considered by CAS... our answer is YES to the 4 questions presented.			
Azerbaijan	Regarding exposure drafts of ISSAI 4000 – General Introduction, ISSAI 4100 – Compliance Audit Guidelines for Audits Performed Separately from the Audit of Financial Statements and ISSAI 4200 – Compliance Audit Related to the Audit of Financial statements we would like to mention the followings: <ul style="list-style-type: none"> ▪ Development of INTOSAI Compliance Audit Guidelines is forwarded to the prevention of corruption and misuse of public funds, also to promote good governance, accountability and transparency in public sector. Therefore the drafted guidelines are suitable for application within our SAI; ▪ Considering the public sector and a SAI's mandate compliance audit covers all levels of governance – central, regional an local in Compliance Audit Guidelines. 			

	<p>Guidelines are also applicable to the private organizations which involved to the management of public services (for example, during adoption of decisions on state grants and subsidies). Hence, we think that relevant public sector considerations have adequately reflected in Guidelines;</p> <ul style="list-style-type: none"> ▪ Exposure draft of Compliance Audit Guidelines could be considered as useful and logical; ▪ There is sufficient information about objectives in exposure draft of the Compliance Audit Guidelines. <p>As described in Guidelines the objectives of public sector auditors in performing compliance audits are to:</p> <p>a) Obtain reasonable assurance about whether the information gathered in relation to a particular subject matter is in compliance, in all material respects, with a particular set of criteria, and</p> <p>b) Report the findings and judgments to the legislature and/or other bodies as appropriate.</p> <p>The objective of the auditor in performing an audit of financial statements is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.</p> <p>Depending on the mandate and constitutional role of the SAI, the overall objectives of public sector auditors in</p>			
--	--	--	--	--

	<p>performing compliance audit in connection with the audit of financial statements are to:</p> <p>a) Obtain reasonable assurance about whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the authorities which govern them, and</p> <p>b) Report the findings and judgments to the legislature and/or other bodies as appropriate.</p> <p>Finally, because of comprehensively and clearly description of objectives and tasks, of the principals and criteria of achieving these objectives, of the content and form of association of Compliance Audit with Financial Audit and other relevant issues we consider the drafted documents as appropriate and complying with relevant requirements.</p>			
Bangladesh		<p>ISSAI 4000 1 Introduction: paragraph 1, page 3 The first sentence can be rephrased as “Compliance audit deals with the responsibility of the SAI to monitor that the activities, <i>transactions and information pertaining to public sector entities</i> are in accordance with the relevant laws,</p>		

		regulations and authorities that governs such entities.”		
			<p>ISSAI 4100 Under paragraph 7 of page 7 of ISSAI 4100, the bulleted items in the box describing the second heading of the flow chart.i.e. Planning the Audit, can be reorganised to reflect sequential planning process as follows:</p> <ul style="list-style-type: none"> • Determine parties involved/legal basis • Identify subject matter • Understand the entity and the environment • Understand internal control • Determine materiality for planning purposes, assess risk and develop audit criteria • Develop audit strategy and plan • Plan audit procedures to enable reasonable assurance <p>The subheadings in chapter 6 can be reordered to follow the above sequence.</p>	
			In paragraph 33 of ISSAI 4100, the term “ <i>professional skepticism</i> ” gives a less positive connotation to the audit process. It represents a state of mind of the auditor that s/he	

			is unwilling to believe or doubts that claims and statements are true even before embarking on the audit itself. This may be reviewed.	
			Section 6 “ <i>Planning the Audit</i> ” may be restructured by reordering the stages of audit planning in the following way: Under Section 6.5, “ <i>Audit Strategy & Plan</i> ”, Paragraph-60 may be moved to paragraph-62 and paragraph-62 may be treated as paragraph-60 and state that “ <i>Planning involves:</i> ” instead of “ <i>Planning also involves</i> ”.	
			Paragraph-97 describing procedures of gathering evidence, of Section 7.1 “ <i>Gathering & Evaluating Evidence</i> ” may be included before stating evidence-gathering techniques [paragraph- 96 at present]. As a result, ‘ <i>evidence gathering procedures</i> ’ might be treated as paragraph 96 and “ <i>evidence gathering techniques</i> ” then would become paragraph-97.	
			Similarity may be maintained in the elements shown in paragraph 142 on “elements of compliance audit reports” with paragraph-160, which state the elements of compliance audit special reports.	
				ISSAI 4200 Under paragraph 8 of page 7 of ISSAI 4200,

				<p>the bulleted items in the box describing the second heading of the flow chart. i.e. Planning the Audit, can be reorganised to reflect sequential planning process as follows:</p> <ul style="list-style-type: none"> • Determine parties involved/legal basis • Identify subject matter • Understand the entity and the environment • Understand internal control • Determine materiality for planning purposes, assess risk and develop audit criteria • Develop audit strategy and plan • Plan audit procedures to enable reasonable assurance • <p>The subheadings in chapter 6 can be reordered to follow the above sequence.</p> <p>Section 6 “<i>Planning and Designing a Compliance Audit</i>” may be restructured by reordering the stages of audit planning in the following way:</p> <p>Paragraph-103 describing procedures of gathering evidence, of Section 7.1 “<i>Gathering & Evaluating Evidence</i>” may be included before stating evidence gathering techniques under paragraph- 102. As a result, ‘<i>evidence gathering procedures</i>’ might be treated as paragraph 102 and “<i>evidence gathering techniques</i>” then would become paragraph-103.</p>
Belgium	The three draft guidelines, namely			

	<p>ISSAIs 4000, 4100 and 4200, submitted for comment, consolidate the methodological basis of compliance audit, and constitute a useful work instrument for this audit discipline among others because of the “appendixes”.</p>			
			<p>1. The determination of audit criteria is an essential stage in the audit planning process. (ISSAI 4100 and 4200, 6.3.).</p> <p>It should be noted that the examination of the sources used as a basis for the audit criteria can itself also be part of the compliance audit. And here, account should preferably be taken of the hierarchy of legal sources. It should be emphasized that administrative guidelines can only be used as a source if an examination has shown that they are in compliance with the laws and regulations.</p>	<p>See column ISSAI 4100</p>
			<p>2. In case of doubt about the correct interpretation of the relevant law or other regulatory provisions, it is recommended in ISSAI 4100, number 48, and ISSAI 4200, number 54, to take account of the intention of the law and regulation maker.</p> <p>This, however, ignores the significance of the well-established case law. In fact, courts and tribunals interpret the intention of the lawmaker in an evolutionary way.</p>	<p>See column ISSAI 4100</p>

			In general an auditor makes sure that the interpretation of the regulatory text by the audited entity does not contradict the text and the intention of its author, even if alternative ways of interpretation within these limits are possible.	
			<p>3. ISSAI 4100 does not distinguish (numbers 60 – 62) between monitoring and risk analysis, on the one hand, and planning, on the other hand. The follow-up of what happens in an audit domain and the acquisition of a general insight into it are an integral part of monitoring and risk analysis; a detailed working out of audit proposals is more part of the planning aspect. As ISSAI 4100 does not make any distinction between them, the order of the activities sometimes seems less logical.</p> <p>The guidelines have been written in a context of “reasonable assurance audit” (ISSAI 4200, numbers 19 to 22). It follows that the guidelines fit into a (compliance) audit of one specific entity (see Planning and Designing a Compliance Audit, numbers 37 to 92). The issue of making up an overall audit plan across entities on the basis of a monitoring and risk analysis of the whole audit universe that falls under the responsibility of an SAI is not broached in the ISSAI. As an SAI’s mandate is larger than the</p>	See column ISSAI 4100

			acquisition of a reasonable assurance at the level of one entity, making up an overall audit plan across all entities (and the justification of the use of limited resources) on the basis of monitoring and risk analysis is of utmost importance. This aspect is missing in the ISSAI.	
			4. As to the objectives of a compliance audit (number 24 of ISSAI 4100) we wonder why in the field of compliance audits outside the frame of the audit of financial statements, only the information related to a specific subject matter has to meet the criteria while in the case of ISSAI 4200 (compliance audit within the frame of financial audit) the compliance of the activities and operations should also be subject to the audit.	See column ISSAI 4100
			5. Another issue is whether the objectives of the 'compliance audit', as referred to in ISSAI 4100 (number 24) should not be framed in broader terms. Compliance audit is not only designed to provide a reasonable assurance, it also implies analyzing and correcting dysfunctions in terms of compliance.	
				6. This finding also applies to ISSAI 4200 (number 29) provided that in number 121 of ISSAI 4200 (as number 115 in ISSAI

				<p>4100) explicit mention is made that in agreement with their mandate SAIs are allowed to ask the audited entity to take corrective action if violations of non-compliance have been found. This corrective action can be directed at the irregularity found as well as be system-based to prevent the occurrence of the same violations in the future. Moreover it can make sense to include the correction of legality explicitly as objective in number 29 (ISSAI 4200). The overall objective in number 29 (“obtain reasonable assurance about whether the activities, financial, transactions and information reflected in the financial statement are, in all material respects, in compliance with the authorities which govern them”) should be in agreement with number 15, b) according to which “for the purposes of these guidelines, compliance audit and compliance reporting are regarded as related to the audit of the financial statements if ... b) the financial statements have been prepared in accordance with a financial reporting framework that requires the financial statements to reflect compliance with laws and regulations”. This formulation tends to suggest that compliance audit as referred to in ISSAI 4200 does not necessarily result in an “audit opinion on compliance audit (...) part of the auditor’s report on the audit of the financial statements” (number 15, a), while this is the case when reading numbers 19 to 27 and 29. In the objectives more room should also be provided for the evaluation of internal control. As a rule a systems-based compliance audit should also aim at checking whether arrangements in matters of</p>
--	--	--	--	---

				<p>organisation and procedures are in place in the audited entity to allow for a risk control in terms of compliance. When irregularities are found failings in the system allowing irregularities to occur have also to be addressed and recommendations to improve the system have to be formulated.</p>
				<p>7. In number 66 of ISSAI 4200 one step is skipped in the attempt to establish the overall audit strategy for the compliance audit in the public sector. Item a) immediately sums up what the objectives, scope, subject matter, criteria etc. of the compliance audit are, but does not explain how to select the subject matters to be audited. In general in the ISSAI it is assumed that the intention of the audit is based on auditing a specific entity (the accounts of which are checked) and not based on optimising the audit of all public operations.</p>
			<p>8. In Belgium not only the Court of Audit but also other actors carry out compliance audits (related to financial audits or not), this is the case for chartered accountants, the Finance Inspectorate, commitment controllers or consultants. Within the framework of single audit the Court of Audit can take into account the findings and recommendations of these audits when it plans and implements its own audits, to the extent they are issued by bodies with an acknowledged competence and independence.</p>	<p>See column ISSAI 4100</p>

			<p>In ISSAI 4100 and 4200 the principle of “single audit” is not sufficiently fostered (see Opinion No 2/2004 of the European Court of Auditors – Publication, C 107, 30.04.2004). Auditors should be encouraged to use other auditors’ findings, conclusions and recommendations as much as possible when these other auditors have already carried out a compliance audit.</p> <p>Number 12 (4200) provides a list of factors that could determine the choice of a subject matter and the scope of the audit. An audit performed by another auditor can also be a determining factor.</p>	
				<p>9. Number 31 of ISSAI 4200 might provide a definition of “Financial statements”. Account should be taken with the fact that some SAIs also have to pre-examine the budgets. Checking to what extent the budget complies with the laws and regulations as well as government’s policy statements (= one form of compliance audit) is also part of such a budget examination.</p>
	<p>Provided these comments are taken into consideration, the Court subscribes to the objectives of draft ISSAIs 4000, 4100 en 4200.</p>			
Canada	<p>Our Office provided comments on earlier draft exposures of these ISSAIs.</p> <p>We reviewed the current exposure draft</p>			

	<p>versions and we respond positively to the four questions posed in Mr. Kosmo's 31 October 2008 letter:</p> <p>1. Are the guidelines as drafted suitable for application within your SAI? Yes.</p> <p>2. Are relevant public sector considerations appropriately addressed in the guidelines? Yes.</p> <p>3. Do the guidelines as drafted have a logical structure, and are they clear, understandable and helpful?</p> <p>Yes.</p> <p>4. Do you agree with the objectives as set out in the guidelines? Yes.</p> <p>As we noted in our response to an earlier draft exposure of these ISSAIs, the two documents are well developed and robust in their consideration of the issues surrounding compliance audits of a SAI. The guidelines are applicable in the Canadian context and we could not find any significant matters precluding their application.</p>			
<p>Czech Republic</p>		<p>ISSAI 4000 and ISSAI 4100</p> <p>1. Are the guidelines as drafted suitable for application within your SAI?</p> <p><i>Yes, the guidelines</i></p>	<p>(see column ISSAI 4000)</p>	

		<p><i>will be suitable for us in our conditions.</i></p> <p>2. Are relevant public sector considerations appropriately addressed in the guidelines?</p> <p><i>Yes, the guidelines will be suitable for different environment and types of SAI.</i></p> <p>3. Do the guidelines as drafted have a logical structure, and are they clear, understandable and helpful?</p> <p><i>The guidelines are clear, understandable and they will serve as a background for developing of our own guidelines on compliance audits.</i></p> <p>4. Do you agree with the objectives as set out in the guidelines?</p> <p><i>The objectives are</i></p>		
--	--	---	--	--

		<i>clearly explained and formulated adequately to the different background of SAI's.</i>		
				<p>ISSAI 4200</p> <p>1. Are the guidelines as drafted suitable for application within your SAI?</p> <p><i>The Act on the Supreme Audit Office (SAO) entitled the SAO to perform Compliance Audit. The Compliance Audit is carried out either as a separate type of audit or in combination with other types of audits. Drafted guidelines are applicable for the SAO's work except for some differences or specifics, for example the following ones:</i></p> <ul style="list-style-type: none"> • <i>Providing Constructive Recommendations (see chapter 9.1.1.4) is beyond SAO's scope;</i> • <i>A separate compliance audit opinion is not expressed when compliance audit is carried out in combination with other type of audit (see chapter 9.1.2.);</i> • <i>The principle of contradiction, as described in chapter 9.1.1.3, is not fully applied; and others.</i> <p>2. Are relevant public sector considerations appropriately addressed in the guidelines?</p>

				<p><i>No comment.</i></p> <p>3. Do the guidelines as drafted have a logical structure, and are they clear, understandable and helpful?</p> <p><i>In many cases, the drafted guidelines reinterpret the provisions already set in other standards or guidelines. According to authors of the cover letter, the reason for these repetitions is based in an effort to achieve consistent and stand-alone documents. However, as a consequence, the drafted guidelines are too vast. In our opinion, making only certain references to relevant standards could be sufficient in many cases, for example in following parts:</i></p> <p><i>6.5. Audit strategy and Plan,</i></p> <p><i>6.7. Materiality,</i></p> <p><i>6.8.2 Risk Assessment Considerations in regard to Relationship between Public Sector Entities,</i></p> <p><i>7.1. Gathering and Evaluating Evidence,</i></p> <p><i>7.3. Communications,</i></p> <p><i>and other.</i></p> <p>4. Do you agree with the objectives as set out in the guidelines?</p> <p><i>No comment.</i></p>
Denmark	I find the drafts are of a high quality and			

	<p>will be very useful for the many different tasks of compliance auditing performed by SAIs around the world.</p> <p>I would like to stress the importance of each of the documents presented. ISSAI 4100 reflects that many SAIs have a strong mandate that allows them to report on their conclusions and supporting audit evidence in a more extensive report to parliament rather than in a statement of assurance. ISSAI 4200 will not only be important to SAIs, but also to other auditors with tasks in the public sector. As you may be aware the new ISA 200 issued by IAASB makes explicit reference to INTOSAI's standards for auditing in the public sector.</p> <p>Overall I find that these different purposes are well expressed in the documents. We have found a few points where the difference in scope and purpose between the two documents can be reflected even more consistently. I have enclosed a technical note with these suggestions.</p>			
			<p>ISSAI 4100/24: "The particular objectives of a compliance audit must be tailored to the circumstances, based on the subject matter and criteria involved. In general, the objectives of public sector auditors in performing compliance audits are to:</p> <p><i>a) Obtain reasonable assurance about whether the information gathered in relation to a particular subject matter is in compliance, in</i></p>	

			<p><i>all material respects, with a particular set of criteria, and</i></p> <p>b) Report the findings and <i>judgements</i> to the legislature and/or other bodies as appropriate"</p> <p>Comments to paragraph 24: Item a) could perhaps be clarified further and aligned with the definition in of compliance audit in the definitions section (ISSAI 4100/26,3). As it stands item a) only says that the information gathered should comply with some set of criteria. (For example a set of financial statements should comply with a financial reporting framework). We believe this is a definition of assurance engagements/auditing in general - rather than a definition of the more specific branch of auditing called compliance auditing.</p> <p>Compare with IAASB’s definition of an assurance engagement as an engagement where a practitioner gathers sufficient appropriate evidence about the subject matter information in order to express a conclusion (International Framework for Assurance Engagements, item 7-8, and – for audits – ISA 200 item 2).</p> <p>It is not clear to us if “information gathered” in ISSAI 4100/24 is the same as “subject matter</p>	
--	--	--	---	--

			<p>information” in ISSAI 4100/36.</p> <p>It may also be observed, that the definition provided by item a) does not apply to long form reporting – especially not to long form reports (special reports) where performance and compliance auditing is combined. As it is correctly reflected in ISSAI 4100/172 the purpose of long form reporting is normally not to express a conclusion with reasonable assurance. Item a) is therefore not in line with the scope of ISSAI 4100 as it is explained in the introduction and in ISSAI 4000.</p> <p>Suggested new text to ISSAI/24 (changes in italics):</p> <p>The particular objectives of a compliance audit must be tailored to the circumstances, based on the subject matter and criteria involved. In general, the objectives of public sector auditors in performing compliance audits are to:</p> <p><i>a) gather sufficient appropriate evidence to conclude whether executive authorities and other publicly funded entities in all material aspects have obtained their funds and carried out the funded activities in compliance with the applicable sources of law *) or general principles of sound public sector financial management and conduct of public sector officials</i></p>	
--	--	--	--	--

		<p>b) Report the findings and <i>conclusions</i> to the legislature and/or other bodies as appropriate</p> <p>(we suggest the definition of compliance audit in 4100/26,3 is aligned with this)</p> <p>*) We suggest this expression is defined as “Relevant acts or resolutions of the legislature or other statutory instruments, directions and guidance issued by public sector bodies with powers provided for in statute, with which the audited entity should comply.” See comment on ISSAI 4100/26,2 and ISSAI 4200/26,2</p> <p>(Note on the use of the term “compliance”):</p> <p>The definition in item a) essentially replaces “in accordance” (or similar expressions) in the IAASB standards with “in compliance”. We suggest the term “compliance” is used only in connections where it has to do with compliance auditing or e.g. “compliance with law”. If it is necessary to deal also more generally with the comparison between a subject matter/findings and the established criteria it is perhaps better to use “in accordance with” (e.g. whether reported information is <i>in accordance</i> with the applicable reporting framework/criteria)</p>	
--	--	--	--

			<p>ISSAI 4100/18: <i>These guidelines are written in the context of reasonable assurance audits.</i></p> <p>ISSAI 4100/146: <i>For items tested for compliance based on a reasonable assurance audit, the conclusion is expressed clearly as a statement of positive assurance. The nature of the wording may be influenced by the mandate of the SAI and the legal framework under which the audit is conducted.</i></p> <p>Comments to paragraphs 18 and 146: Read together the wording of ISSAI/18 and ISSAI 4100/146 is in conflict with the scope of application of ISSAI 4100: The main area of applicability of ISSAI 4100 is not (only) audits with standardized general conclusions/opinions as described in ISSAI 4100/147 but (also) audits with a more specific scope as foreseen in ISSAI 4100/9-11 and audits resulting in long form reports as described in ISSAI 4100/158-180. Not all SAI's have the task of issuing a general opinion on compliance at the ministerial or aggregate level in their yearly report as it is known from e.g. ECA's reports. Instead the SAI's may have a mandate that allow them to report</p>	
--	--	--	---	--

			<p>in other forms (Norway’s yearly report “Dokument nr. 1” appears to be one such example – we believe other reports of this type exist in other countries).</p> <p>It is important to distinguish between:</p> <p>a) audits resulting in an opinion/standardized positive conclusion of a more general scope as provided for in ISSAI 4100/147 and ISSAI 4200/165-173, and</p> <p>b) audits of a more specific scope resulting in a conclusion on specific audit questions (cf. ISSAI 4100/172 and also the wording “when necessary to satisfy the audit objectives” in ISSAI 300/4.1). In these cases the level of assurance is normally not <i>expressed</i> in the conclusion. But it may still be required that the evidence gathered is sufficient to draw a (negative or positive) conclusion with reasonable assurance. (Examples of such conclusions in Norway’s Dokument nr. 1, 2007-2008 are ”Riksrevisjonen konstaterer at Arbeids- og velferdsetaten gjør innkjøp i strid med anskaffelsesregelverket” p. 35 or ”Riksrevisjonen er tilfreds med at avtalene er i samsvar med regelverket for offentlige anskaffelser” p. 55.)</p>	
--	--	--	--	--

			<p>We believe the main purpose of ISSAI 4100 must be to cover audits of type b) since audits of type a) is thoroughly dealt with in ISSAI 4200. ISSAI 4200 applies to situations where an audit opinion on compliance forms part of the auditor's report on the audit of financial statements (ISSAI 4200/15).</p> <p>Suggested new text to ISSAI 4100/18 and ISSAI 4100/146 (changes in italics):</p> <p>Paragraph 18: <i>These guidelines apply to auditing tasks where the purpose is to obtain sufficient appropriate evidence to draw conclusions with reasonable assurance in relation to the specified scope and audit questions. The conclusion may be expressed in a statement of positive assurance or in a more elaborated form, e.g. in a long form audit report</i></p> <p>Paragraph 146: <i>Depending on the scope and mandate of the audit the conclusion may be expressed as a statement of positive assurance or as a more elaborated answer to specific audit question. The nature of the wording may be influenced by the mandate of the SAI and the legal framework under which the audit is conducted.</i></p>	
			<p>Comments to ISSAI 4100/147-150</p>	

			<p>on conclusions: It appears from the text that there is very little difference between audits resulting in a statement of assurance as described in ISSAI 4100/147 and audits resulting in a statement of assurance as described in ISSAI 4200/165-170. CAS might therefore want to consider if it is really necessary to describe this situation in both documents.</p> <p>Suggestion: Paragraphs 147-150 could perhaps be omitted and replaced by a reference to the section on an opinion in ISSAI 4200</p>	
				<p>ISSAI 4200/29: Depending on the mandate and constitutional role of the SAI, the overall objectives of public sector auditors in performing compliance audit in connection with the audit of financial statements are to:</p> <p>a) Obtain reasonable assurance about whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the authorities which govern them, and</p> <p>b) <i>Report the findings and judgements to the legislature and/or other bodies as appropriate.</i></p> <p>Comments to paragraph 29: Please note that the updated ISA 200 recently issued by IAASB states (item A57):</p>

				<p>“The ISAs are relevant to engagements in the public sector. The public sector auditor’s responsibilities, however, may be affected by the audit mandate, or by obligations on public sector entities arising from legislation, regulation, ministerial directives, government policy requirements, or resolutions of the legislature, which may encompass a broader scope than an audit of financial statements in accordance with the ISAs. These additional responsibilities are not dealt with in the ISAs. They may be dealt with in the pronouncements of the International Organization of Supreme Audit Institutions or national standard setters, or in guidance developed by government audit agencies”.</p> <p>ISSAI 4200 is of very high importance in this regard, as it will define the INTOSAI requirements of compliance auditing for audits carried out in accordance with the ISAs – not only by SAIs but also by other auditors in the public sector.</p> <p>Suggested new text to ISSAI/29 (changes in italics): Depending on the auditing mandate the overall objectives of public sector auditors in performing compliance audit in connection with the audit of financial statements are to:</p> <p>a) Obtain reasonable assurance about whether the activities, financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the <i>applicable sources of law</i>, and</p>
--	--	--	--	---

				<p>b) <i>express an opinion on this in connection with the opinion provided for by ISSAI 1200/2 concerning the financial statements</i></p>
				<p>Comments to ISSAI 4200/141-164 on reporting in other forms than an opinion: The suggested scope of application of ISSAI 4200 is limited to compliance auditing tasks carried out as part of an audit of financial statements as defined by ISSAI 1000-1999. We support the definition in ISSAI 4200/15 which implies that this document applies only to auditing tasks resulting in an opinion.</p> <p>Suggestion: ISSAI 4200/143-164 (on reporting in other forms than an opinion) should be deleted and the content of ISSAI 4200/153-156 integrated into ISSAI 4200/166-170 as the reference in 4200/171 is sufficient</p>
				<p>ISSAI 4200/171: [...] Further guidance on compliance audit special reports is set out in ISSAI 4100.</p> <p>Comments to paragraph 171: We believe it would therefore strengthen the document if it focused on auditing tasks that results in an opinion as described in ISSAI 4200/165-173 and omitted reporting in other forms as this is covered by ISSAI 4100.</p> <p>Suggested new text to ISSAI/171 (changes in italics): [...] Further guidance on compliance audit special reports is set out in ISSAI 4100/<i>135-180</i>.</p>

			<p>The use of the term “authority” and “authorities governing them” (e.g. in ISSAI 4100/5)</p> <p>Definition in ISSAI 4100/26,2 and ISSAI 4200/31,2</p> <p><i>Authorities</i> – Relevant acts or resolutions of the legislature or other statutory instruments, directions and guidance issued by public sector bodies with powers provided for in statute, with which the audited entity <i>is expected</i> to comply. These elements are sometimes collectively referred to as 'legislative authorities' or just 'authorities'. This should not be confused with 'authorities' in the sense of bodies or persons exercising power or command such as 'law enforcement authorities' or 'regulatory authorities'. Where the intention is to refer to such bodies or persons, they are referred to specifically as 'law enforcement authorities, 'regulatory authorities,' etc.</p> <p>Comments to the use of the term "authority" and "authorities governing them": We find it unnecessarily confusing to use of the term “authorities” in the special meaning proposed. In spite of the definition it will easily be understood as “bodies” exercising authority, which will lead</p>	<p>See column ISSAI 4100 on the use of the term “authority” and “authorities governing them”</p> <p>Definition in ISSAI 4100/26,2 and ISSAI 4200/31,2</p>
--	--	--	--	--

		<p>to misunderstandings. (A search on google seems to suggest that the expression “legislative authority” is most commonly used as a synonymous for “parliament” or “parliament and government in combination”).</p> <p>We believe that “authorities” is used and will continue to be used in other INTOSAI documents in the more normal meaning – referring e.g. to executive authorities.</p> <p>See e.g. ISSAI 4100/86: “compliance audit procedures in general involve establishing the relevant criteria, ie the authorities which govern the entity” – here “the authorities which govern the entity” might easily be understood to be the Ministry responsible for the audited public entity.</p> <p>In some cases “authorities” seems redundant – e.g. in expressions like “non-compliance with authorities” (ISSAI 4100/83).</p> <p>There are also cases where other expressions seem to be used instead - e.g. “compliance with applicable laws and regulations” (ISSAI 4100/120). The expression used in IAASB standards is “laws and regulations” and “the legal and regulatory framework applicable”.</p> <p>We would prefer if it was possible to find a similar straight-forward</p>	
--	--	--	--

			<p>way to refer to the various sources of law described in the definition in ISSAI 4100/26.2. We suggest “applicable sources of law” instead.</p> <p>We believe this expression also makes it more clear than “authorities” how this is different from propriety (“general principles of sound management” etc.).</p> <p>Suggested new text: “the applicable sources of law” used instead</p> <p>ISSAI 4100/26,2 and ISSAI 4200/26,2</p> <p><i>Applicable sources of law –</i> Relevant acts or resolutions of the legislature or other statutory instruments, directions and guidance issued by public sector bodies with powers provided for in statute, with which the audited entity <i>should</i> comply.</p>	
		<p>ISSAI 4000/7-10 (Historical background)</p> <p>We suggest this kind of historical information on the meetings that have taken place in the process of producing the paper is held in a separate foreword. It should not be part of the authoritative text.</p>		

		[Move ISSAI 4000/7-10 to a foreword].		
Estonia	<p>I am pleased to send you the comments of the National Audit Office of Estonia regarding the Exposure Drafts of the INTOSAI Compliance Audit Guidelines, which are as follows:</p> <p>There has been a great need for these guidelines since unlike financial audit the compliance audit has so far not been covered with standards.</p> <p>In general the guidelines are practically applicable in the audits of the National Audit Office of Estonia. In fact, they have already been applied in our audits in the recent years. The Audit Manual of the National Audit Office of Estonia is also broadly in line with the standards in question.</p> <p>It is very positive that the audit process as a whole is covered by the standards and the most essential things are written into the guidelines. The appendices to the guideline (ISSAI 4200) are of very great help hereby.</p> <p>It is noteworthy that the compilers have taken the trouble to search for additional materials and have added lists of/references to guidelines, where additional information about the topic could be found, to the treated topics.</p>			
				It would be of great help by reading the standard ISSAI 4200, if the definitions in the

				context of the document of the following terms – financial statements, financial transaction, activities – could be given. It would help to make the guideline clearer to understand. If defining is for any reason not possible, then perhaps additional examples could help to clarify the exact meaning of the terms.
Hungary	<p>General comments: In our opinion the exposure drafts, even in their present form, are well utilizable in further developing compliance audits and offer assistance to SAIs in creating a more detailed methodology of such audits. The drafts also offer a useful guidance for SAIs in interpreting the exact contents of compliance audit. They define the possible methods of performing the audit itself by the fact that the implementation of the guidelines offers a possibility for SAIs and are not obligatory. Each and every SAI should decide to what extent Compliance Audit is compatible with the given SAI's mandate. The methodological requirements described in the exposure drafts are adequately flexible to be included into the sphere of responsibilities and authority of the individual SAIs, at their respective discretion.</p> <p>Detailed comments: 1) <i>Are the guidelines as drafted suitable for application within your SAI?</i></p> <p>In our opinion the Exposure Drafts on INTOSAI Compliance Audit Guidelines</p>			

	<p>can be fit into the legal audit mandate of the State Audit Office of Hungary and they can be adjusted to the SAO audit environment regulated by the respective laws. We think that the guidelines would be easily applicable in future in case of the “a priori” type audit tasks (for example, giving opinion on the budget bill, the supervision of decrees regulating the division of resources between district local governments of the capital). At the same time they can be widely used in case of traditional compliance audits and in cases when no concrete audit aspects are available in methodological guidelines, etc.</p> <p><i>2) Are relevant public sector considerations appropriately addressed in the guidelines?</i></p> <p>As the general introduction to the exposure drafts of the guidelines mentions, auditing the public sector means exercising a wider scope of auditing authority and the implementation of more comprehensive audit goals for SAIs than in case of audits carried out by chartered accountants, private sector audit firms. The reason is that the competence of SAIs is to improve the transparency and accountability of the public sector. The draft guidelines are adequately addressing the essential issues and pay attention to the individual fields of the public sector. However, in our opinion managing public property is an important field in the public sector, thus we recommend that the introductory part</p>			
--	--	--	--	--

	<p>of the guidelines should address managing public property as well.</p> <p><i>3) Do the guidelines as drafted have a logical structure, and are they clear, understandable and helpful?</i></p> <p>The structure of the drafts is logical, the methodological guidance is clear, easily understandable. The description of the audit process, the conceptual explanations and the cited examples of the annex are good and expressive.</p> <p><i>4) Do you agree with the objectives as set out in the guidelines?</i></p> <p>We can identify ourselves with the goals mentioned in the Exposure Drafts on INTOSAI Compliance Audit Guidelines. The purpose of the Compliance Audit is to get reasonable assurance on whether the activities that are subject of the audit, respectively the information collected in the course of the audit correspond with the criteria stipulated by legal and other regulations, norms. The reasonable assurance is of high level but does not mean getting absolute audit assurance. In our opinion, this is in compliance also with the concepts identified by the SAO Audit Manual.</p> <p>Recommendation: Having in mind that in the framework of the currently ongoing elaboration of <i>ISSAI 1250: Practice Note to (Redrafted) International Standard on Auditing 250 – Consideration of Laws and Regulations</i></p>			
--	---	--	--	--

	<p><i>in an Audit of Financial Statements</i>, the planned ISSAI 1250 directly concerns compliance audits, we recommend that in chapter “2 Scope of the guidelines” (especially in paragraphs 14 and 18) there should be a reference also to ISSAI 1250.</p>			
Iceland	<p>We like to inform you that we have discussed the exposure draft of the Compliance Audit Guidelines, both those relating to financial audit and those not related.</p> <p>We have no specific comments on this guidelines and find them very good and useful. We however would like to comment on the "Further guidance.... " reference to other standards at the end of each sector. Although very useful, one could get the impression that these guidelines were not complete or sufficient. That is not the case, is it?</p>			
Italy	<p>I have examined ISSAI 4000, 4100, 4200 and I agree on their structure and applicability by the public sector auditors. I think that the guidelines can also be appropriately addressed to the SAIs in a Corte dei conti context, except for par. 191 ISSAI 4100 and par. 184 ISSAI 4200.</p>			
			<p>ISSAI 4100 par. 125 (considerations and suggestions in read)</p> <p>125. Evidence obtained is evaluated in relation to identified materiality</p>	

		<p>levels in order to identify potential instances of material non-compliance. Determining the significance of findings is based on the concept of materiality as set out above. Findings from compliance audits must also be placed in proper perspective, for example reported instances of non-compliance may be based on the number of cases of non-compliance or the related monetary value (ISSAI 400, 4.0.19). SAIs operating in a Court of Accounts environment have the ability to render judgement on the accounts. In cases of non-compliance, this may result in imposing fines, <u>reimbursements</u> or other penalties.</p> <p>Par. 191</p> <p>191. In other SAIs operating in a Court of Accounts environment, <u>the auditors may also act in the role of judges and may be empowered to both audit and give formal judgements</u>. In these cases, the instruction phase is an integral part of the audit planning, performance and evidence gathering phases, such that the audit is planned with a view to covering all these phases.</p> <p><i>I have serious doubts on the possibility that an auditor may act as a judge and “be empowered to both audit and give formal judgement”. It does not happen in</i></p>	
--	--	--	--

			<p><i>the Corte dei conti of Italy. On my opinion the auditor cannot have the impartiality of a judge because of the fact that he is an “interested party” of the dispute and would surely support his audit conclusions. I suggest to expressly ask the SAIs with jurisdictional function for their opinion on paragraph 191.</i></p>	
				<p>ISSAI 4200 par. 184</p> <p>184. In other SAIs operating in a Court of Accounts environment, <u>the auditors may also act in the role of judges and may be empowered to both audit and give formal judgements</u>. In these cases, the instruction phase is an integral part of the audit planning, performance and evidence gathering phases, such that the audit is planned with a view to covering all these phases.</p> <p><i>I have serious doubts on the possibility that an auditor may act as a judge and “be empowered to both audit and give formal judgement”. It does not happen in the Corte dei conti of Italy. On my opinion the auditor cannot have the impartiality of a judge because of the fact that he is an “interested party” of the dispute and would surely support his audit conclusions. I suggest to expressly ask the SAIs with jurisdictional function for their opinion on paragraph 184.</i></p>

<p>Kuwait</p>	<p>We wish to inform you with the following :</p> <ul style="list-style-type: none"> • The State Audit Bureau of Kuwait may apply the mentioned guidelines <p>where as they meet our SAI's approved guidelines. The new items mentioned in the draft will be added to our guidelines.</p> <ul style="list-style-type: none"> • There should be an audit to the government entities to confirm their compliance with governance for its great effect to comply with current rules and legislations. • It is important to concentrate on compliance with privatization and B.O.T rules where as they are related with many public sector projects. • For sure, the guidelines have their own rational base and built on audit profession constant rules, so the goals they contain are logical. 			
<p>Lithuania</p>	<p>I send you answers to questions on the drafts INTOSAI Compliance Audit Guidelines:</p> <ol style="list-style-type: none"> 1. Are the guidelines as drafted suitable for application within your SAI? Yes. 2. Are relevant public sector 			

	<p>considerations appropriately addressed in the guidelines? Yes</p> <p>3. Do the guidelines as drafted have a logical structure, and are they clear, understandable and helpful? Yes.</p> <p>4. Do you agree with the objectives as set out in the guidelines? Yes.</p> <p>We do not have any comments on the exposure drafts INTOSAI Compliance Audit Guidelines.</p>											
<p>Macedonia</p>				<p>The following are my comments on ISSAI and related ISA guidelines...</p> <p>1. Opinion - Wording for both types of audits according to ISA 700/705 and ISSAI 4200</p> <table border="0"> <tr> <td data-bbox="1581 788 1733 813">ISA 700, 705</td> <td data-bbox="1805 788 1939 813">ISSAI 4200</td> </tr> <tr> <td data-bbox="1581 820 1599 845">1</td> <td data-bbox="1805 820 1823 845">2</td> </tr> <tr> <td data-bbox="1581 852 1702 877">OPINION</td> <td data-bbox="1805 852 1926 877">OPINION</td> </tr> <tr> <td data-bbox="1581 884 1765 935">a). For financial statement audit</td> <td data-bbox="1805 884 1993 935">a). For financial statement audit</td> </tr> </table> <p>(...present fairly in all material respects...</p> <p>In our opinion, the financial statements of government agency ABC for the year ended December 31, 200.. are prepared , in all material respects , in accordance with ...”</p> <p>In this wording I have 2 issues to comment:</p> <ul style="list-style-type: none"> ▪ F/S – are not 	ISA 700, 705	ISSAI 4200	1	2	OPINION	OPINION	a). For financial statement audit	a). For financial statement audit
ISA 700, 705	ISSAI 4200											
1	2											
OPINION	OPINION											
a). For financial statement audit	a). For financial statement audit											

				<p>mentioned (in ISSAI 4200) as they are in ISA 700 (financial position, financial performance, and cash flow). I suppose that this depends on the concrete criteria for public sector financial reporting in each country.</p> <ul style="list-style-type: none"> ▪ The second issue is wording “are prepared” in ISSAI 4200 which differs from ISA 700 (present fairly), is there any comment for this? 		
				<p>2. Paragraph for basis for modified opinion (qualified, adverse, disclaimer) – ISA – 705</p> <table border="0"> <tr> <td style="vertical-align: top;"> <p>Paragraph for basis for modified opinion ISA – 705</p> <p>This is a new paragraph (In ISA 705, para.</p> </td> <td style="vertical-align: top;"> <p>Paragraph for basis for modified opinion ISAI 4200</p> <p>What should be inserted in this paragraph? Is this</p> </td> </tr> </table>	<p>Paragraph for basis for modified opinion ISA – 705</p> <p>This is a new paragraph (In ISA 705, para.</p>	<p>Paragraph for basis for modified opinion ISAI 4200</p> <p>What should be inserted in this paragraph? Is this</p>
<p>Paragraph for basis for modified opinion ISA – 705</p> <p>This is a new paragraph (In ISA 705, para.</p>	<p>Paragraph for basis for modified opinion ISAI 4200</p> <p>What should be inserted in this paragraph? Is this</p>					

				<p>18 (2008 edition) and ISSAI 4200)</p> <p>There is no explanation in ISA 705 about the content of this paragraph.</p> <p>paragraph heading for findings/relating to all findings as they are presented in the auditor's report (under heading "Basis for ... opinion") or this is a separate paragraph (besides findings paragraph) as a summary of all findings.</p>
				<p>3. ISSAI 4200 - Situation when compliance audit is performed together with an audit of financial statements</p> <p>With regard to regularity audits, In SAO Macedonia, we prepare a written report (one report for both audits) consisting of audit opinion on financial statements and audit opinion on compliance with applicable laws and regulations (paragraph 7 from ISSAI 400). In paragraph 148 (ISSAI 4200) are presented headings of elements for compliance audit report. In Appendix 7 (Example of a compliance audit opinion as part of the Auditor's Report on the Financial Statements) are presented only few paragraphs/elements in the body of the report before opinion paragraph - separately for FS and separately for compliance. Thus, on page 63-65 we have two set of elements of audit reports for FS and separately for compliance. This is OK when we issue audit reports separately for FS and separately for compliance. As it is presented on page 63-65, I suppose that these examples are given when SAI issue separate audit reports and</p>

				<p>opinions.</p> <p>I think that it will be useful, if all paragraphs/elements (subject of the audit, management/auditors responsibility, ... and basis for...) will be given as an example in the audit report (in Appendix 7 or other separate appendix (in ISSAI 4200)), in the situation when compliance audit is performed together with an audit of financial statements. As it is said above, this is OK when we issue separate audit reports. But when we issue one report for both (FS and compliance audit together), the elements of both audits should be presented in one report (basic wording will be from ISA 700 for FS with appropriate adjustments with wording for some elements from ISSAI 4200 (page 63 – 65).</p> <p>About the findings. How will they be presented in the context of FS and compliance audit (separate paragraphs for FS findings and separate for compliance findings (or ??), reference to findings paragraphs (in case for modified opinions). Also some findings, for both audits, are the basis for FS opinion (in the case when there is non compliance findings which have material/direct effect on financial statements (or that may have a material effect on FS (ISA -250))).</p> <p>In SAO Macedonia we issue one report for both audits. ISSAI 4200 will help us a lot about wording for the audit opinion and also for other elements in the body of the audit report (adjusted as we said above). This is because so far there were not enough</p>
--	--	--	--	--

				guidance/guidelines related to compliance issues (except in ISA 250) and also in ISA 700/701 there is no wording and other elements for compliance as it is developed in ISSAI 4200 and 4100 now.
Netherlands	In relation to the draft guidelines - my compliments for the impressive work of the Subcommittee! - I have some remarks: - Management responsibility for compliance, and the important role of internal control to fulfil this responsibility, could be more clearly expressed. In connection with this, reference could be made to the INTOSAI Guidelines for Internal Control Standards for the Public Sector (compliance is a main internal control objective);			
			See column ISSAI 4200	- in ISSAI 4200 - and, correspondingly, ISSAI 4100 -, 'audit criteria' are situated on the level of laws or regulations (see, for example, par. 49 and appendix 1). In my opinion, however, the criteria are one level more specific: the specific requirements and terms included in these laws and regulations. Therefore, the identification of criteria is generally not as straightforward as it may seem: it implies interpretation and selection from complex regulations;
		- in several places in the document, reference is made to 'monitoring' by SAIs (e.g., par. 1 of ISSAI 4000 and par. 4 of ISSAI 4200); Is that		See column ISSAI 4000

		the appropriate expression, or could 'auditing' be an alternative?:		
		- ISSAI 4000, par. 2: I think the criteria are derived from laws, contracts etc. (rather than: 'such criteria may include');		
		- I have the feeling that the objective and scope of compliance audit is not always formulated consistently throughout the documents, e.g. In paragraphs 1 and 2 of ISSAI 4000 and paragraphs 4, 29 and 31 of ISSAI 4200;		See column ISSAI 4000
				- the substeps in the general outline of the compliance audit process (ISSAI 4200, page 7) are not systematically reflected in the subsequent paragraphs: - in relation to this outline, it could be noted that the compliance audit process will be designed in conjunction with the audit process of the financial statements (since in 4200 they are interrelated);
				- ISSAI 4200, par. 13: information should also be given to the legislature (as the primary addressee of the audit information):
				- ISSAI 4200, par. 31, section 2: ministerial

				directives and comparable regulations could also be part of the authorities; these are not imposed by bodies outside the audited entity, but produced by this audited entity itself on the basis of an explicit authority provided in the law.
New Zealand		ISSAI 4000 No comments.		
			<p>ISSAI 4100</p> <p><i>Para 15.</i> We wonder whether it is possible to provide reasonable assurance about an entity's compliance with the law in every instance. We suspect that a public sector auditor may only be able to provide limited assurance on compliance in certain instances – particularly when there are a large number of laws with which an entity is required to comply and/or the law is subject to interpretation. If this is the case then it may be appropriate to include guidance that requires a public sector auditor to consider what level of assurance (reasonable or limited assurance) they are likely to be able to give in respect of compliance before they commence their work, and to communicate the likely level of assurance to relevant parties.</p> <p><i>Para 26 (6).</i> 'deliver' should be 'delivery'.</p> <p><i>Para 39.</i> Consider changing 'are' to 'may be'. For instance when we test</p>	

		<p>for compliance with appropriations in New Zealand we only look at expenditure even although appropriation is a budgetary law.</p> <p><i>Para 45.</i> There is a missing ‘a’. “Therefore, in performing a compliance audit ... “</p> <p><i>Para 88.</i> The paragraph states that when controls are not considered reliable, public sector auditors plan and perform substantive procedures to respond to the identified risks. Another approach that we think should be reflected in the guideline is, where controls are not considered reliable ... the public sector auditor may conclude that further substantive procedures will not be effective and will therefore consider the effect of the unreliable controls on their report.</p> <p><i>Para 92.</i> The words ‘competence, relevance, reliability and’ should be deleted from the second sentence. It is commonly understood that the quality of audit evidence relates to its appropriateness. This amendment would mean that para 92 flows on from para 91.</p> <p><i>Para 98.</i> There is a missing ‘a’. The second sentence should read “In performing a compliance audit ... “</p> <p><i>Para 99.</i> There is a missing ‘a’.</p>	
--	--	---	--

			<p>The second sentence should read “In performing a compliance audit ... “</p> <p><i>Para 153.</i> Remove ‘or opinion’. We understand that compliance audits carried out under ISSAI 4100 will only be expressed as conclusions.</p> <p><i>Appendix 1, page 48.</i> ‘pr’ should be ‘per’. That is ‘number of qualified nurses and doctors per number of citizens’.</p> <p><i>Appendix 4, Number 1 under Control Risk.</i> The comment ‘... when the procurement legislation opens for subjectivity’ doesn’t make sense.</p> <p><i>Appendix 4.</i> We consider that factors under ‘Inherent Risk’ should also include an additional factor ‘Potential conflicts of interest’.</p> <p><i>Appendix 5, page 58.</i> Under 4 remove the ‘as’. ‘Perform analytical procedures for assessing risks, and substantive procedures ...”.</p> <p><i>Appendix 5, page 58.</i> Under 5 change the first sentence to read ‘Select a sample of transactions ...’.</p> <p><i>Appendix 12, final sentence under the heading “Auditor’s Responsibility”.</i> The sentence should be reworded to remove the</p>	
--	--	--	---	--

			<p>word ‘audit opinion’ otherwise readers may become confused because we have decided to use ‘conclusions’ instead of ‘opinions’ in respect of compliance audits under ISSAI 4100. Perhaps we could state ‘We have not performed an audit, and, accordingly, express our conclusion in the form of limited assurance, which is consistent with the more limited work we have performed under this compliance review’.</p>	
				<p>ISSAI 4200 <i>Para 19.</i> We wonder whether it is possible to provide reasonable assurance about an entity’s compliance with the law in every instance. We suspect that a public sector auditor may only be able to provide limited assurance on compliance in certain instances – particularly when there are a large number of laws with which an entity is required to comply and/or the law is subject to interpretation. If this is the case then it may be appropriate to include guidance that requires a public sector auditor to consider what level of assurance (reasonable or limited assurance) they are likely to be able to give in respect of compliance before they commence their work, and to communicate the likely level of assurance to relevant parties.</p> <p><i>Para 29.</i> Possibly some ‘s’s missing. ‘Depending on ... in performing compliance audits in connection with the audits of ...’</p> <p><i>Para 31(6).</i> ‘deliver’ should be ‘delivery’.</p>

			<p><i>Para 44.</i> Consider changing ‘are’ to ‘may be’. For instance when we test for compliance with appropriations in New Zealand we only look at expenditure even although appropriation is a budgetary law.</p> <p><i>Para 46.</i> The last sentence doesn’t make sense to us.</p> <p><i>Para 51.</i> There is a missing ‘a’. “Therefore, in performing a compliance audit ... “</p> <p><i>Para 94.</i> The paragraph states that when controls are not considered reliable, public sector auditors plan and perform substantive procedures to respond to the identified risks. Another approach that we think should be reflected in the guideline is, where controls are not considered reliable ... the public sector auditor may conclude that further substantive procedures will not be effective and will therefore consider the effect of the unreliable controls on their report.</p> <p><i>Para 98.</i> The words ‘competence, relevance, reliability and’ should be deleted from the second sentence. It is commonly understood that the quality of audit evidence relates to its appropriateness. This amendment would mean that para 98 flows on from para 97.</p> <p><i>Para 104.</i> There is a missing ‘a’. The second sentence should read “In performing a compliance audit ... “</p> <p><i>Para 105.</i> There is a missing ‘a’. The second sentence should read “In performing</p>
--	--	--	--

				<p><u>a</u> compliance audit ... “</p> <p><i>Appendix 1, page 48.</i> ‘pr’ should be ‘per’. That is ‘number of qualified nurses and doctors per number of citizens’.</p> <p><i>Appendix 1-A.</i> Generally consider replacing ‘provisions’ with ‘constitutional provisions’ as the word ‘provisions’ has an accounting meaning that could be misleading to users of the guideline.</p> <p><i>Appendix 1-A, under “Income and revenues”.</i> In points 1,6 and 9 consider replacing ‘real estate’ with ‘assets’. In point 9 consider replacing ‘good’ with ‘goods’.</p> <p><i>Appendix 1-A, under “Operational expenditures”.</i> In point 1 consider replacing ‘economics’ with ‘economy’. In point 8 consider replacing ‘external representation or internal staff purposes’ with ‘discretionary expenditure’.</p> <p><i>Appendix 4, Number 1 under Control Risk.</i> The comment ‘... when the procurement legislation opens for subjectivity’ doesn’t make sense.</p> <p><i>Appendix 4.</i> We consider that factors under ‘Inherent Risk’ should also include an additional factor ‘Potential conflicts of interest’.</p> <p><i>Appendix 5, page 60.</i> Under 4 remove the ‘as’. ‘Perform analytical procedures for assessing risks, and substantive procedures ...’.</p>
--	--	--	--	--

				<p><i>Appendix 5, page 60.</i> Under 5 change the first sentence to read ‘Select a sample of transactions ...’.</p> <p><i>Appendix 12.</i> There are several references under the “Review of Compliance’ heading to ‘audit’ that should be amended. The first sentence under the heading ‘Conclusion on Compliance’ should be amended to read ‘Based ... our notice during our review, ...’. Also the reference to ‘Responses from the Audited Entity’ should be amended to read ‘Responses from the Entity’.</p>
Poland	In relation to the letter (attached) from your Auditor General and Director General concerning the Exposure Drafts of the INTOSAI Compliance Audit Guidelines (ISSAI 4000, ISSAI 4100, ISSAI 4200), I would like to inform you that the SAI of Poland has no comments to the said documents.			
Saudi Arabia	<p>The General Auditing Bureau has the following comments:</p> <ol style="list-style-type: none"> 1. With the exception of those on the Court of Accounts Model, the compliance audit guidelines as drafted are suitable for application in GAB. The majority of the techniques and procedures stated in the guidelines are applicable (e.g. planning and implementation procedures, and collection and assessment of audit evidence). 2. GAB does not issue a separate opinion on compliance audit. Rather, it issues a report that is usually 			

	<p>integrated within financial or performance audit reports. These are often extensive reports detailing the findings, their causes and consequences, along with GAB's appropriate recommendations.</p>			
Sweden	<p>Comments on Exposure Drafts of the INTOSAI Compliance Audit Guidelines</p> <p><i>1. Are the guidelines as drafted suitable for application within your SAI?</i></p> <p>The guidelines are to some extent suitable for application within the Swedish National Audit Office. ISSAI 4000 is very general and is therefore easy to apply. ISSAI 4100 can be applied to some performance audits where compliance is part of the audit, but usually performance audits are broader than just compliance issues and that is why the ISSAI 4100 is not altogether suitable for application in performance audits. ISSAI 4200 can be partially applied, but we are opting to applying ISSAI 1250 on compliance issues since we do not have a mandate to give an audit opinion on compliance. However we have an obligation to audit compliance when auditing the financial statements. The financial statements in Sweden include some performance indicators as the entities are to report on performance as well as on financial matters in the financial statement. This puts our SAI in a position in between ISA 250 and ISSAI 4200. We have solved this</p>			

	<p>by using the practice notes of ISSAI 1250 and expanding slightly on this in our reporting. We also look at the financial statement as a sort of implicit assurance about compliance regarding the performance of the entity. For that reason we consider non-compliance with laws and regulations that governs the business of the entity as having a material effect on the financial statements.</p> <p>2. <i>Are relevant public sector considerations appropriately addressed in the guidelines?</i></p> <p>Yes, we believe they are.</p> <p>3. <i>Do the guidelines as drafted have a logical structure, and are they clear, understandable and helpful?</i></p> <p>We believe the structure is very logical and that the guidelines are clear and understandable.</p> <p>However, in order for the ISSAI 4200 to be more helpful we would recommend adding application material to help the auditor when it comes to materiality. The question on what constitutes a material error could be elaborated more on, since it is more difficult to conclude materiality on compliance issues than on financial issues. The ISAs give better guidance on materiality than what these guidelines do.</p> <p>We also believe that you should remove reference to IIA and IFAC Code of</p>			
--	---	--	--	--

	<p>Ethics. The reasons for this are that internal auditors have a different mandate than external auditors, therefore, guidelines for internal auditors could not easily be adopted by external auditors. Regarding IFAC Code of Ethics, we believe that the INTOSAI Code of Ethics should be considered equivalent with IFAC Code of Ethics. The INTOSAI Code of Ethics is also written for the public sector auditor.</p> <p>Furthermore we believe that the guidelines are not fully in line with the INTOSAI Fundamental Principles. However, we believe that the guideline is relevant as it is, but the issue of rewriting the Fundamental Principles needs to be addressed.</p> <p>We have noticed that the definition on what constitutes an audit differs between SAIs. In order to understand the guidelines it could be useful to specify the definition of an audit when applying the guidelines. This definition may be more relevant in the Fundamental Principles, but as long as it is not there, we believe it should be included in the guidelines.</p> <p>We also have some issues regarding propriety in ISSAI 4200. Since there is no clear definition of what behavior is expected we find it difficult to include these issues in the audit opinion. On the other hand we see no problem including reporting on propriety in other reports from the auditor.</p>			
--	---	--	--	--

	<p>Finally we are concerned about the aspect of limited assurance in paragraph 163 and appendix 12 of ISSAI 4200. We do not believe that a limited assurance can be combined in the described way with a reasonable assurance without stating clearly the different responsibilities etc, which we do not believe has been sufficiently described in the guideline. We suggest that this guidance is removed and could instead be considered in a future ISSAI on ISRE 2400.</p> <p style="text-align: center;"><i>4. Do you agree with the objectives as set out in the guidelines?</i></p> <p>Yes, we do. However, we have noticed that the concept of limited assurance is described outside the objective.</p>			
Switzerland	<p>Guidelines 4000, 4100 and 4200 cover considerations relevant to the public sector and can therefore be applied by the Swiss Confederation. We regret that the guidelines are kept rather general. We do understand though, that they were intentionally phrased that way.</p> <p>The guidelines go by the audit process and are thus logically structured and comprehensible. Still, a slight improvement could be achieved by marking the deviations between ISSAI 4100 and 4200 in both documents and by applying a notation in ISSAI 4000 that ISSAI 4100 and 4200 are identical in nearly all respects.</p>			

<p>Ukraine</p>	<p>We have carefully considered drafts of ISSAI 4000 – "general Introduction", ISSAI 4100 – "For Audits Performed Separately from the Audit of Financial Statements" and ISSAI 4200 – "Compliance Audit Related to the Audit of Financial Statements". Hereby we would like to note that structure and content of these ISSAIs cover all necessary aspects of compliance audit.</p> <p>Definitions of compliance audit and biased principles of legality, efficiency, effectiveness and economy of financial management are well developed as well as issues of assessment of compliance deviation, materiality, reporting and examples of risk assessment, auditing procedures and limited assurance reports.</p> <p>Taking into account all above mentioned, we can conclude on the following:</p> <ol style="list-style-type: none"> 1. Draft Compliance Audit Guidelines (ISSAI 4000, ISSAI 4100 and ISSAI 4200 are applicable for ACU practice. 2. Needs of public sector audit are generally taken into consideration. 3. The drafts are logically structures and applicable. 4. The drafts shall be of great use for reaching the compliance audit goals. 			
<p>United Kingdom</p>	<p>The National Audit Office (NAO) is pleased to comment on the above exposure drafts. The NAO, on behalf of the Comptroller and Auditor General, carries out the external audit of all UK</p>			

	<p>central government departments and a wide range of other UK and international public bodies.</p> <p>Introduction</p> <p>We welcome the development of the INTOSAI Compliance Audit Guidelines, and believe that the final documents should offer helpful guidance to public sector auditors in many different environments when carrying out compliance audits either as part of the audit on the financial statements or as a separate audit.</p> <p>The work of the National Audit Office is primarily concerned with compliance audits as an integral part of the audit of a set of financial statements. As such most of our comments relate to ISSAI 4200</p> <p>Annex A to this letter provides some specific comments on the documents. However I wanted to highlight three issues.</p> <p>Definition of compliance audit</p> <p>The definition of compliance audit has been drawn very widely. In undertaking assurance engagements which are performed separately from the audit of financial statements, the National Audit Office draws on the International Framework for Assurance Engagements (IFAE) and the International Standard on Assurance Engagements (ISAE) 3000. The International Framework for</p>			
--	--	--	--	--

	<p>Assurance Engagements defines an assurance engagement as:</p> <p>“an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of evaluation or measurement of a subject matter or criteria.” (IFAE paragraph 7)</p> <p>Our interpretation of the IFAE, is that it applies only to our work where we have the specific and principal objective of enhancing the degree of confidence of intended users in the subject matter information. Therefore, we do not apply it to our work which examines the economy, efficiency and effectiveness of public spending, although in reaching our overall conclusions for these evaluations we may make an assessment of compliance with a particular regulation or policy.</p> <p>As you have noted in ISSAI 4000, the scope of compliance audits and related reporting responsibilities are often broader than those envisaged in the ISAs and ISAEs. This is borne out in ISSAI 4100 and ISSAI 4200 which define compliance audit as:</p> <p>“compliance audit deals with the degree to which the audited entity follows rules, laws and regulation, policies, established codes, or agreed upon terms and conditions etc. Compliance auditing may cover a wide range of subject matters. In</p>			
--	--	--	--	--

	<p>general, the purpose of a compliance audit is to provide assurance to intended users about the outcome of the evaluation or measurement of a subject matter against suitable criteria.”</p> <p>Under this definition, we believe that elements of our work which are conducted with a principal objective other than compliance audit, but which incidentally consider compliance, would be subject to the ISSAI 4100. However, where the principal objectives of our work are not to consider compliance, we do not believe that the users of our reports would be best served by adoption of ISSAI 4100 and the associated reporting requirements.</p> <p>We believe that it would be helpful if the provisions of the guidance allow an exemption for circumstances where compliance work is undertaken incidentally to the principal objective of a the audit work. We suggest a wording for this in annex A</p>			
				<p>The format of compliance reporting under ISSAI 4200</p> <p>ISSAI 4200 notes in para 145 that the auditors opinion on compliance, where it is presented as part of a report on the audit of the financial statements, should be clearly set apart from the opinion on financial statements. We agree with this point, but would also be clear that this is not part of the “report on other legal and regulatory requirements” identified in ISA 700. We</p>

				<p>suggest an amendment to para 145 in annex A to this letter.</p> <p>The example auditors report in appendix 7 extends the current draft of para 145 further. This suggests that the reports, rather than the opinions, should be separated. We do not support this suggestion. The example should be amended to separate the opinions only.</p>
	<p>Referencing further guidance</p> <p>Each section references at least four sources of guidance (for example in para 72). We see the ISSAI/ISA reference and the reference to ISAE 3000 as particularly relevant. We do not see that the IIA standards have relevance to an INTOSAI standard on the work of external auditors and believe they should not be referenced in ISSAI 4100 and 4200. The reference in para 19 of ISSAI 4000 should be sufficient to ensure auditors consider compliance with IIA standards as part of their evaluation of internal audit.</p> <p>We also do not see that the INTOSAI implementation guidance for performance auditing is as relevant to ISSAI 4200, although it may have more relevance in some jurisdictions for ISSAI 4100</p>			
			<p>ISSAI 4100 para 2 and definition at para 26. ISSAI 4200 para 2 and definition at para 31.</p>	<p>ISSAI 4100 para 2 and definition at para 26. ISSAI 4200 para 2 and definition at para 31.</p>

			<p>The definition of compliance audit is comprehensive, but suggests that anything within this definition is compliance <u>audit</u>. We believe that this is a definition of compliance, not compliance audit. Some work within the mandate of SAIs may look at compliance issues as a coincidental matter, but not be classed as compliance audit and subject to this ISSAI. We suggest the para is amended to define compliance and then define compliance audit, for example:</p> <p>“Compliance deals with the degree to which the audited entity follows rules, laws and regulation, policy, established code or agreed upon terms, such as the terms of a contract or funding agreement. Compliance audit is where an auditor is required to give an opinion on compliance. SAIs may carry out other work with a purpose other than confirming compliance but which examines compliance issues. Such work is not subject to the principles contained within the ISSAI.”</p>	<p>(see column ISSAI 4100)</p>
				<p>ISSAI 4200 para 17 We believe that the para would benefit from replacing the word ‘often’ with the word ‘normally’, to read:</p> <p>“Compliance audit in the public sector <i>normally</i> has a broader scope.....</p>

				<p>ISSAI 4200 para 71 We believe that the word ‘material’ is required here. The para should read</p> <p>“In evaluating internal control, public sector auditors assess the risk that the control structure may not prevent or detect <i>material</i> non-compliance</p>
				<p>ISSAI 4200 para 73 We would see the addition of a third category of materiality here, relating to reporting materiality. For example</p> <p>“c) Purposes of reporting the results of the audit work”</p>
				<p>ISSAI 4200 para 78 Para 78 considers that items a-e are likely to be considered material by nature. We believe that, whilst these items may become material at a lower value or incidence than other transactions or activities it would be wrong to suggest that they are normally material. For example applying the para would suggest that a small fraud would be material. In our jurisdiction we would still look to apply a value or incidence threshold before we would consider this a material matter. As a result we suggest para 78 should be amended to: “other matters that may be considered material at a lower level of value or incidence than the general determination of materiality include:”</p>
				<p>ISSAI 4200 para 78 (b) This should read “Human Error”</p>

				<p>ISSAI 4200 para 95 There is an interaction here with references in ISAs to ‘imposed limitation of scope’. A reference to the ISA paragraphs in this area would be helpful. It would also be beneficial to introduce the terms ‘limitation of scope’ to this paragraph.</p>
				<p>ISSAI 4200 para 145 Paragraph 145 (ISSAI 4200) makes it clear that the opinion on compliance should be clearly set apart from the opinion on financial statements. We would also be clear that the opinion on compliance in not part of the “report on legal and other regulatory requirements”. As a result we suggest that para 145 should be amended to read: "When compliance audit is performed together with the audit of financial statements, an opinion on compliance may form part of the auditors report on the audit of the financial statements. In such cases the opinion on compliance is clearly set apart from the 'true and fair' opinion on the financial statements and is clearly set apart from the 'report on other legal and regulatory requirements' included in ISA 700."</p>
			<p>ISSAI 4200 para 160 ISSAI 4100 para 154 (see column ISSAI 4200)</p>	<p>ISSAI 4200 para 160 ISSAI 4100 para 154 Paragraph 160 (ISSAI 4200) and para 154 (ISSAI 4100) proposes arrangements for the delegation by the Auditor General of responsibility for signing reports. Our procedures for delegation of authority for assurance engagements, based on the risk associated with the engagement, allow for</p>

				<p>delegation to a single responsible officer. This is consistent with the principle of sole authority for an assurance engagement as applied in the UK. We would not therefore be able to adopt the proposals of paragraph 160 in its current form.</p> <p>We believe that it would be helpful for the guidance to allow for delegation to a single officer.</p>
				<p>ISSAI 4200 appendix 7</p> <p>We believe that the example should have three ‘opinion’ sections to comply with the revision to ISA 700. These should be ‘Opinion on the financial statements’; ‘Opinion on Compliance’ and ‘Report on other legal and regulatory requirements.’ Further the current example provides completely separate reports for the financial statements and for the compliance audit. We do not see this as correct and the example should be reworked to present a combined report, with separate opinions as outlined above.</p>
FAS Secretariat				<p>We are pleased to comment on the above exposure draft. These comments have been prepared by the FAS secretariat and are not necessarily reflecting the views of the members of FAS. Their respective audit organizations may comment on the exposures. The comments provided in this letter focus on issues of mutual interest for the development of FAS guidelines and CAS guidelines respectively.</p> <p>We welcome the development of the INTOSAI Compliance Audit Guidelines ISSAI 4200, and believe that the final</p>

				<p>document will offer guidance helpful to public sector auditors when carrying out compliance audits as part of the audit on the financial statements or as a separate audit. We also believe that together with the Financial Audit Guidelines, ISSAI 1000-2999, it will provide the INTOSAI members useful and coherent guidance in these areas of auditing.</p> <p>5. <i>Are relevant public sector considerations appropriately addressed in the guidelines?</i></p> <p>1.1. Limited assurance versus reasonable assurance</p> <p>ISSAI 4200 is written in the context of reasonable assurance audits. Section 9.1.1.7 includes some guidance related to limited assurance reviews of compliance issues, and appendix 12 includes an illustrative example of a limited assurance opinion. We do not believe that guidance related to limited assurance should be incorporated in the guidelines. A review of financial statements or compliance issues to provide limited assurance is not an audit and may therefore be subject to separate guidelines (including both financial and compliance audit aspects of adopting ISAE 2400 and 2410). Furthermore we do not think the example on compliance in appendix 12 is correct. We do not believe that a report a review of compliance should be reported together with an audit of financial statements. The difference between an audit and a review are so significant that we consider it being inappropriate to include in the same report.</p>
--	--	--	--	---

				<p>If however, that is the view of CAS, the example needs to provide clearer descriptions on both management’s responsibilities and the auditor’s responsibilities under separate headings for each of the opinions provided. Furthermore, the heading should contain both reference to report on the financial statements and the review on compliance.</p> <p style="text-align: center;">1.2. The content of the Auditors report</p> <p>The ISAs contain separate sections for the “report on financial statements” and the “report on other legal and regulatory requirements”. This is not reflected in the example report provided and not reflected in the guidance (§ 145). It is suggested that this paragraph be changed; "when compliance audit is performed together with the audit of financial statements, an opinion on compliance may form part of the auditor’s report on the audit of the financial statements. In such cases the opinion on compliance is clearly set apart from the <i>'true and fair'</i> opinion on the financial statements <i>and is clearly set apart from the 'report on other legal and regulatory requirements'</i> included in ISA 700.</p> <p>The example report needs to be adjusted accordingly.</p> <p style="text-align: center;">1.3. Guidance related to Audit sampling</p> <p>ISSAI 4200 provides limited guidance on using audit sampling for compliance issues. The FAS Expert Team working on the Practice Note to ISA 540 on Audit Sampling</p>
--	--	--	--	---

				<p>discussed the use of audit sampling in the public sector and considered the guidance in ISSAI 4200 not to be sufficient for making reference to ISSAI 4200 in the Practice Note. Appendix 1 contains some suggested wordings on the use of audit sampling related to compliance that may be considered by CAS.</p> <p>1.4. References to other sources of standards and guidelines</p> <p>The guidelines contain references to other standards or guidelines in several sections, related to different areas of the guidelines. We do not see the relevance in making references to IIA standards. They are not relevant to an INTOSAI standard on the work of external auditors and we believe they should not be referenced. IIA standards are developed for supporting other objectives, and even if there are elements of similarity, it is not appropriate to make such references.</p> <p>Furthermore, it is sometimes included references to both IFAC and INTOSAI Ethical Codes. The view of FAS is that the INTOSAI Code of Ethics is a relevant code for adopting the ISAs in the public sector. It would therefore be helpful to reference the ethical code which is the basis for public sector audits, and not the IFAC code.</p> <p>1.5. Inconsequence's in relation to INTOSAI fundamental Principles</p> <p>We believe that the guidelines are not fully in line with what is stipulated in the INTOSAI Fundamental Principles. For example, the ISSAI 400 paragraph 7 states;</p>
--	--	--	--	---

				<p><i>With regard to regularity audits, the auditor should prepare a written report, which may either be a part of the report on the financial statements or a separate report, on the tests of compliance with applicable laws and regulations. The report should contain a statement of positive assurance on those items tested for compliance and negative assurance on those items not tested.</i></p> <p>Paragraph 1.6 of the ISSAI 4200 states; <i>...They build upon INTOSAI's Fundamental Auditing Principles (referenced within this document as ISSAI 100 – ISSAI 400, previously referred to as the 'INTOSAI Auditing Standards') and have been designed to assist public sector auditors and SAIs in applying these principles.</i></p> <p>We do not believe that ISSAI 4200 assists the auditor in applying ISSAI 100-400 if such differences are not attended to in the guidelines. However, we believe that the guidance provided in ISSAI 4200 is accurate and relevant, and our concern is that;</p> <ul style="list-style-type: none"> • The guidelines on Compliance Audit need to address the differences • The INTOSAI Fundamental Principles need to be revised. FAS have noticed this need earlier, and it is even more obvious when related to compliance issues. Therefore it is our belief that FAS and CAS together may address this
--	--	--	--	---

issue.

1.6. Materiality

One area of great concern to a large number of SAIs is to apply the aspects of materiality for auditing and reporting on compliance with authorities. ISSAI 4200 contains some guidance in paragraphs 73 to 83 related to “planning materiality”, and some additional aspects on “reporting materiality” (for example in appendix 6). We believe the guidance provided is relevant, but we share some of the concerns on how to determine materiality when planning, when assessing risks and when evaluating the result of the compliance audit. CAS may consider the need for additional guidance, in this very difficult area.

1.7. Objective and definitions

The definition of compliance audit includes the concept of “propriety”. We believe that the definition and the consequences described in the guidelines are correct. Our main concern is that propriety cannot be subject to objective verification, as correctly stated in the guidelines, and should as such not to be included in a definition on compliance audits. Activities which are not subject to suitable criteria should not be included in guidelines aiming to provide reasonable assurance on financial or compliance issues. Issues related to the definition of propriety may be subject to reporting when identified during the course of an audit, but may not be subject to an audit and should as such not be included in the definition. We are aware that the issue have been

				<p>discussed within the subcommittee and that there are strong views on the issue. However, it is important to establish that propriety may never be a part of a compliance audit aiming to provide reasonable assurance; it may however be subject to other activities outside a compliance audit. SAIs having a mandate to audit propriety may need to apply other guidelines.</p> <p>6. Do the guidelines as drafted have a logical structure, and are they clear, understandable and helpful?</p> <p>We believe that ISSAI 4200 is clear, understandable and helpful. One area of great concern for both CAS and FAS is to make sure that the guidelines on financial audit and compliance audit related to an audit of financial statements are aligned, that they provide the same level of guidance and that all aspects of an “combined” audit is covered. We believe that this is the case, however, FAS is still in the process of drafting some practice notes, while others are on exposure and there might be some need for adjustments. In a draft format FAS has developed all Practice Notes except for two, so far, and FAS will during the next couple of months review all Practice Notes endorsed at the last INCOSAI. One objective of the review is to make sure the guidance is aligned with the CAS guidelines. There might be some additional issues that need to be discussed between the secretariats of FAS and CAS, hopefully before the PSC approval of ISSAI 4200.</p>
--	--	--	--	--

