

Attachment A
The Institute of Internal Auditors (The IIA)

Response to INTOSAI Exposure Draft ISSAI 3100 – Performance Auditing Standards

1. Paragraph 9 (c) – This section should be expanded to include as an audit objective an assessment of whether management within the audited organization has established systems and procedures to measure and report on the effectiveness of their programs. Such an adjustment would recognize the variation in mandate that exists between SAIs.
2. Paragraph 10 – The last sentence in this paragraph should be deleted as the mandate of most SAIs does not extend beyond the duty owed to elected bodies. Alternatively, citizens could be recognized as a secondary stakeholder.
3. Paragraph 10 – The paragraph refers to both audit questions and audit objectives. The text should be clarified to indicate that the questions to be answered by the audit engagement form the basis from which audit objectives are established. The exposure draft should ensure consistency in the use of these terms as they appear in many sections of the document.
4. Paragraph 11 – This paragraph refers to audits conducted for Parliament. The text should reflect “appropriate legislative body” to address situations where the legislative body is other than Parliament.
5. Paragraph 11 – The IIA supports the consideration of risk and materiality in determining the areas to be audited. In our view the guidance on risk should be elaborated to include the development of a risk based audit plan that takes into consideration the organization’s risk management framework, including management’s risk appetite levels.
6. Paragraph 12 (c) – This paragraph should also contain a reference to having sufficient resources in addition to having the necessary competencies.
7. Paragraph 12 - Planning documents might also include the results and recommendations of previous audits of the subject matter, including the results of the work of internal audit in government organizations.
8. Paragraph 13 – This section should include language to require the identification of the source of the audit criteria to be used. For example whether audit criteria is based on legislative or policy requirements etc.
9. Paragraph 20 – The last sentence of this paragraph should be deleted as it implies that audit findings and conclusions are subjective in nature and may not be supported in a performance audit. The last sentence is also not consistent with other guidance which requires conclusions against objectives and the evaluation of the conditions observed relative to established audit criteria.

10. Paragraph 21 – The second to last sentence should read “... regarding the audit *objectives*.” The last sentence should read “All audit findings and conclusions *must be* supported by audit evidence.
11. Paragraph 29 – We agree with the draft guidance that opinions in performance audit reports relate to the objectives established for the audit and relate to the specific scope of work undertaken.
12. Paragraph 34 – The last two sentences should be combined to read “SAIs should distribute their reports in accordance with their mandate and in a manner that is consistent with other applicable legislation.”
13. Paragraph 35 – We agree with the principle set out in the draft guidance that follow-up audits should be an integral part of the SAIs overall audit strategy.
14. Paragraph 36 – We suggest the second sentence be modified to read “... whether actions taken on observations and recommendations remedy the underlying conditions.”
15. Paragraph 37 – Refers to ISSAI 40. This paragraph should reinforce the distinction between internal quality controls and independent external quality or peer reviews, both of which are essential elements of a sound quality management framework.
16. Paragraph 37 – The three sub elements of this paragraph would fit better with other areas of the guidance. Sections (a) and (b) appropriately require that, collectively, audit teams have the necessary skills and resources to carry out the audit assignment. The guidance would benefit from a paragraph or section that deals with audit resources.
17. Paragraph 37 - This paragraph should include a requirement to ensure work was properly carried out in accordance with the approved audit plan and that findings are supported by appropriate audit evidence.
18. The draft guidance should incorporate a section or paragraph that discusses the independence and objectivity of staff assigned to the audit.

Comments on Appendix to Exposure Draft ISSAI 3100
The Institute of Internal Auditors (The IIA)

1. The document uses the term parliament and legislature interchangeably. The document should select and use a generic term such legislative or elected body.
2. The document refers to the fact that some SAIs are getting started in terms of performance auditing. In this light INTOSAI members may wish to refer to The IIA's recently published Internal Audit Capability Model for the Public Sector which sets out a framework that identifies the fundamentals needed for effective internal auditing in the public sector. The model illustrates the levels and stages through which an audit activity can evolve as it defines, implements, measures and controls its processes and practices.
3. Section 2.2. on external benefits could also note that the SAI has greater powers to access materials in conducting performance audits of government programs. This capability allows them to make valuable assessments.
4. Section 2.3 refers to visibility in the media. The second paragraph in this section should be deleted as efforts to develop media visibility may be seen as inconsistent with the concept of objectivity.
5. Section 3 addressing challenges notes the many challenges associated with achieving the desired level of audit impact, getting and keeping adequate number of skilled staff, getting and keeping the support from top management, managing perceived tension between accountability and performance improvement, writing timely and clear audit reports and developing better audit approaches and methods. To facilitate the successful implementation of performance auditing there should be more guidance provided on addressing the potential conflict and one additional one the potential for impaired independence.
6. Section 3.3 refers to meeting with the legislature to determine audit topics of interest. In our opinion the mandate provided to SAIs should allow them discretion in selecting areas to be audited.
7. Section 3.5 on key success factors refers to developing political support. In our opinion the reference to political support should be deleted and the section should focus on the establishment of the legal mandate for performance auditing.
8. Section 4.1 does not refer to the value of a risk assessment, rather it recommends some quick wins and a theme for initial audit work. In our opinion SAIs should incorporate the concept of risk assessment in selecting the areas to be audited and in planning the audit.
9. Section 4.4 states that SAI's do not need to have a detailed system in place for planning and implementing a performance audit. It goes on to state that

developing audit manuals, quality assurance arrangements, etc. can come at a later date. This philosophy carries over into sections 5.3 and 5.4, which state that the performance auditing framework and policy and procedure manuals be developed over time. We recognize that SAls are at varying stages of maturity in conducting performance audits. At the same time however there are many SAls with well developed methodologies and guidance that could be shared with other SAls to strengthen their ability to successfully implement performance auditing.

10. Section 5.3 refers to the performance auditing framework - The IIARF research publication *Honest, Competent Government: The Promise of Performance Auditing*, offers some additional dimensions to consider in building a framework, particularly around structure and behavior. (See Exhibit 9 pages 54 - 56).