

# Introduction to ISSAIs

# Learning Objectives

To revisit  
the basics  
of ISSAI's  
four levels

# Level 1 : Lima Declaration 1977

# Lima Declaration

Level 1 of the ISSAI framework contains the founding principles of INTOSAI.

ISSAI 1: The Lima Declaration from 1977 calls for

- the establishment of effective Supreme Audit Institutions and
- provide guidelines on auditing precepts

# Chief Aim of the Lima Declaration

is to call for independent government auditing.

this independence is required to be anchored in the legislation

# Segments of Lima Declaration

## General

- Section 1. Purpose of audit
- Section 2. Pre-audit and post-audit
- Section 3. Internal audit and external audit
- Section 4. Legality audit, regularity audit and performance audit

## Independence

- Section 5. Independence of Supreme Audit Institutions
- Section 6. Independence of the members and officials of Supreme Audit Institutions
- Section 7. Financial independence of Supreme Audit Institutions

# Segments of Lima Declaration

## Relationship to Parliament, government and the administration

- Section 8. Relationship to Parliament
- Section 9. Relationship to government and the administration

## *Powers of Supreme Audit Institutions*

- Section 10. Powers of Investigation
- Section 11. Enforcement of Supreme Audit Institution findings
- Section 12. Expert opinions and rights of consultation

# Segments of Lima Declaration

## Audit methods, audit staff, international exchange of experiences

- Section 13. Audit methods and procedures
- Section 14. Audit staff
- Section 15. International exchange of experiences

## Reporting

- Section 16. Reporting to Parliament and to the general public
- Section 17. Method of reporting

# Segments of Lima Declaration

## Audit powers of Supreme Audit Institutions

- Section 18. Constitutional basis of audit powers; audit of public financial management
- Section 19. Audit of public authorities and other institutions abroad
- Section 20. Tax audits
- Section 21. Public contracts and public works
- Section 22. Audit of electronic data processing facilities
- Section 23. Commercial enterprises with public participation
- Section 24. Audit of subsidized institutions
- Section 25. Audit of international and supranational organizations

# Exercise 1

Describe the main objective of an SAI in one sentence

Enlist the major players in the external environment of an SAI

Enlist sources of threat to the main objective of an SAI

Divide the sources of threat in two categories

- External Sources
- Internal Sources (Time: 15 min)

# Inference

For achieving  
the objective:

SAI  
independence  
is required

Competent  
SAI is required

# Effectiveness of SAI

## For an Effective SAI

- It should be independent from internal and external pressures (ISSAI -Level 1 and 2)
- It must be competent enough to Perform its functions (ISSAI - Level 2, 3 and 4)

# ISSAI Framework Linkages

ISSAI framework is a very comprehensive framework that articulates both:

- the nature of robust audit practices in an SAI and
- the key drivers that are needed to be in place for the implementation of these robust audit practices on a consistent basis.

# ISSAI Framework Linkages

Nature and requirements for **robust audit practices** are outlined in Level 3 and Level 4 ISSAIs

**Key drivers** and prerequisites for these are highlighted at level 1 and level 2

# Level 2: Pre-Requisites for the Functioning of SAI

# ISSAI LEVEL 2 – CAPACITY DEVELOPMENT

The ISSAIs at level 2 require capacity development of an SAI in all three areas

- Institutional Capacity Development
- Organisational Systems Capacity Development
- Professional Staff Capacity Development

# ISSAI LEVEL 2 – CAPACITY DEVELOPMENT

## **Institutional capacity**

- refers to the SAI having the appropriate Independence and Legal Framework, mandate and environment to carry out its core business functions effectively

## **Organisational Capacity**

- refers to the internal systems and processes of a SAI and

## **professional staff capacity**

- refers to SAI people and their ability to carry out their roles professionally.

# Level 2: Pre-Requisites for the Functioning of SAI

Sr No.	ISSAI No.	Title
1	ISSAI 10	Mexico Declaration
2	ISSAI 11	INTOSAI Guidelines For SAI Independence
3	ISSAI 12	Value of SAI
4	ISSAI 20	Principle of transparency
5	ISSAI 21	Principle of transparency 2 (Best Practices)
6	ISSAI 30	Code of Ethics
7	ISSAI 40	Quality Control

# ISSAI 10 Mexico Declaration

Supreme Audit Institutions generally recognize eight core principles as essential requirements of proper public sector auditing

# ISSAI 10 Mexico Declaration

## Principle 1

- The existence of an appropriate and effective constitutional/statutory/legal framework and of *de facto* application provisions of this framework

## Principle 2

- The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties

## Principle 3

- A sufficiently broad mandate and full discretion, in the discharge of SAI functions

## Principle 4

- Unrestricted access to information

# ISSAI 10 Mexico Declaration

## Principle 5

- The right and obligation to report on their work

## Principle 6

- The freedom to decide the content and timing of audit reports and to publish and disseminate them

## Principle 7

- The existence of effective follow-up mechanisms on SAI recommendations

## Principle 8

- Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources

# ISSAI 11 - INTOSAI Guidelines For SAI Independence

Spells out  
Guidelines and  
Good Practices  
against Eight  
Principles of  
Mexico  
Declaration

# ISSAI 12: The Value and Benefits of SAIs

*The Value and Benefits  
of Supreme Audit  
Institutions – making a  
difference to the lives  
of citizens*

# ISSAI 12: The Value and Benefits of SAIs

The principles set out in this document are constructed around the fundamental expectation of SAIs making a difference to the lives of citizens

The extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI:

- Strengthening the accountability, transparency and integrity of government and public sector entities;
- Demonstrating ongoing relevance to citizens, Parliament and other stakeholders; and
- Being a model organisation through leading by example

# ISSAI 20 - *Principles of transparency and accountability*

## **Purpose and objectives**

The purpose is to advance principles of transparency and accountability for SAIs in order to assist them in leading by example in their own governance and practices.

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SAIs form part of an overall legal and constitutional system within their respective countries, and are accountable to various parties, including legislative bodies and the public.

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SAIs are also responsible for planning and conducting the scope of their work and using proper methodologies and standards to ensure that they promote accountability and transparency over public activities, meet their legal mandate and fulfil their responsibilities in a complete and objective manner.

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# ISSAI 20 - *Principles of transparency and accountability*

Accountability and transparency are two important elements of good governance.

# ISSAI 20 - *Principles of transparency and accountability*

The concept of *accountability* refers to the legal and reporting framework, organisational structure, strategy, procedures and actions to help ensure that:

- SAls meet their legal obligations with regard to their audit mandate and required reporting within their budget.
- SAls evaluate and follow up their own performance as well as the impact of their audit.
- SAls report on the regularity and the efficiency of the use of public funds, including their own actions and activities and the use of SAI resources.
- the head of the SAI, members (of collegial institutions) and the SAI's personnel can be held responsible for their actions.

# ISSAI 20 - *Principles of transparency and accountability*

The notion  
of  
*transparency*  
refers to the  
SAI's

- timely, reliable, clear and relevant public reporting on its status, mandate, strategy, activities, financial management, operations and performance.
- In addition, it includes the obligation of public reporting on audit findings and conclusions and public access to information about the SAI.

ISSAI 21 - *Principles of transparency and accountability* PRINCIPLES AND GOOD PRACTICES

Gives good practices against the principles

# ISSAI - 30 Code of Ethics

## Concept, Background and Purpose of the Code of Ethics

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

# ISSAI - 30 Code of Ethics

**Trust, Confidence and Credibility**

**Integrity**

**Independence, Objectivity and Impartiality**

- **Political neutrality**
- **Conflicts of interest**

**Professional Secrecy**

**Competence**

- **Professional Development**

# ISSAI 40 - Quality Control for SAs

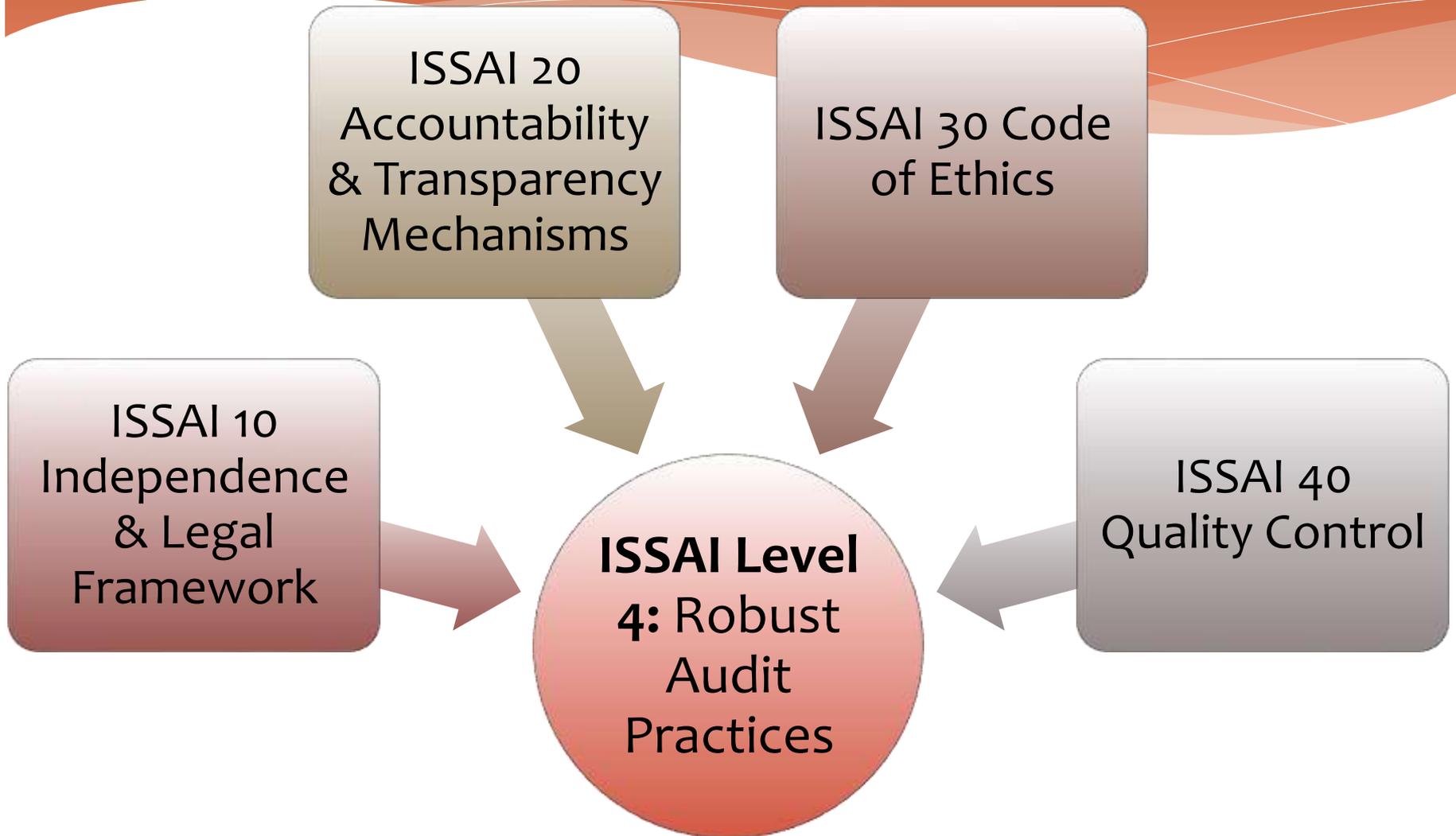
*This ISSAI draws on the ISQC 1 developed by the International Auditing and Assurance Standards Board (IAASB) and published by the International Federation of Accountants (IFAC) in December 2008*

# Structure of ISSAI 40

## Structure of ISSAI 40

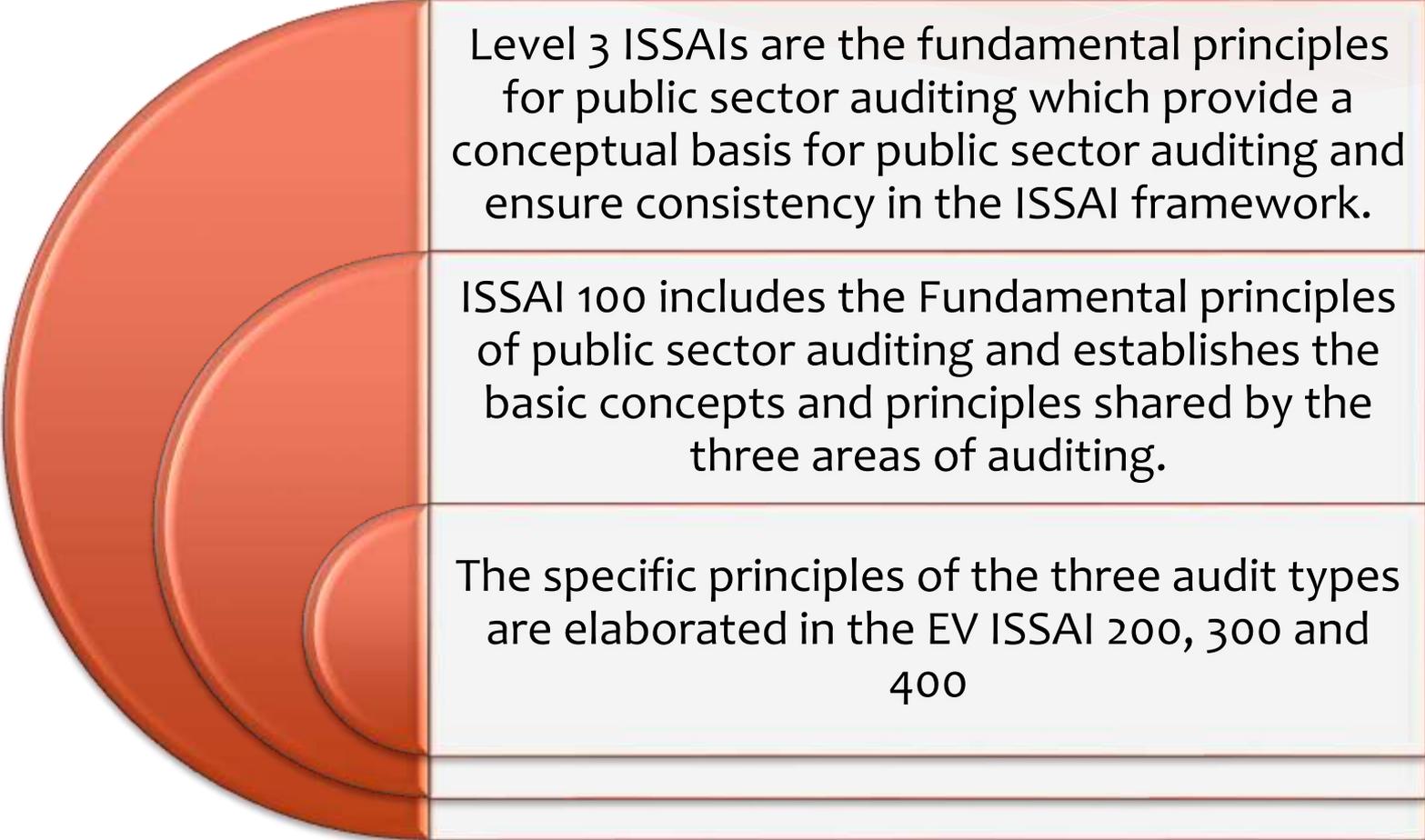
- Key principle in ISQC1
- Key principle adapted for SAIs
- Application guidance for SAIs

# Institutional Level to Audit Level



# Level 3 – Fundamental Auditing Principles

# Level 3 – Fundamental Auditing Principle



Level 3 ISSAIs are the fundamental principles for public sector auditing which provide a conceptual basis for public sector auditing and ensure consistency in the ISSAI framework.

ISSAI 100 includes the Fundamental principles of public sector auditing and establishes the basic concepts and principles shared by the three areas of auditing.

The specific principles of the three audit types are elaborated in the EV ISSAI 200, 300 and 400

# *Fundamental Principles of Public-Sector Auditing*

The Fundamental Auditing Principles at level 3 draw and elaborate on *ISSAI 1 – The Lima Declaration* and the ISSAIs at level 2 and provide an authoritative international frame of reference defining public-sector auditing.

Level 4 translates the Fundamental Auditing Principles into more specific and detailed operational guidelines that can be used on a daily basis in the conduct of an audit and as auditing standards when national auditing standards have not been developed.

# Level 3 – Fundamental Auditing Principles

S No		
1	ISSAI 100	<i>Fundamental Principles of Public-Sector Auditing</i>
2	ISSAI 200	<i>Fundamental Principles of Financial Auditing</i>
3	ISSAI 300	<i>Fundamental Principles of Performance Auditing</i>
4	ISSAI 400	<i>Fundamental Principles of Compliance Auditing</i>

# Elements of Auditing

## \* **ISSAI 200 FA**

- \* The three parties in financial auditing
- \* Suitable criteria
- \* Subject matter information
- \* Reasonable assurance engagement

## \* **ISSAI 300 PA**

- \* The three parties in performance auditing
- \* Subject matter and criteria in performance auditing
- \* Confidence and assurance in performance auditing

## \* **ISSAI 400 CA**

- \* Authorities and criteria
- \* Subject matter
- \* The three parties in compliance auditing
- \* Assurance in compliance auditing

# PRINCIPLES OF FINANCIAL AUDITING

## General principles

## Prerequisites for conducting financial audits

- Ethics and independence
- Quality control
- Engagement team management and skills

## Principles related to basic audit concepts

- Audit risk
- Professional judgement and professional scepticism
- Materiality
- Communication
- Documentation

# PRINCIPLES OF FINANCIAL AUDITING

## Principles related to the audit process

- Agreeing the terms of the engagement
- Planning
- Understanding the audited entity
- Risk assessment
- Responses to assessed risks
- Considerations relating to fraud in an audit of financial statements
- Going-concern considerations
- Considerations relating to laws and regulations in an audit of financial statements
- Audit evidence
- Consideration of subsequent events
- Evaluating misstatements
- Forming an opinion and reporting on the financial statements
- Considerations relevant to audits of group financial statements  
(including whole-of-government financial statements)

# PRINCIPLES OF PERFORMANCE AUDITING

## General principle

- Audit objective
- Audit approach
- Criteria
- Audit risk
- Communication
- Skills
- Professional judgement and scepticism
- Quality control
- Materiality
- Documentation

# PRINCIPLES OF PERFORMANCE AUDITING

## Principles related to the audit process

- **Planning**
  - Selection of topics
  - Designing the audit
- **Conducting**
  - Evidence, findings and conclusions
- **Reporting**
  - Content of the report
  - Recommendations
  - Distribution of the report
- **Follow-up**

# PRINCIPLES OF COMPLIANCE AUDITING

## General principles

- Professional judgement and skepticism
- Quality control
- Audit team management and skills
- Audit risk
- Materiality
- Documentation
- Communication

# PRINCIPLES OF COMPLIANCE AUDITING

## Principles related to the audit process

- Planning and designing a compliance audit
- Audit evidence
- Evaluating audit evidence and forming conclusions
- Reporting
- Follow-up

# ISSAI Level 4

# ISSAI - Level 4 Auditing Guidelines

The  
Auditing  
Guidelines  
translate

- the fundamental auditing principles into more specific, detailed and operational guidelines
- that can be used on a daily basis in the conduct of auditing tasks.

# ISSAI - Level 4 Auditing Guidelines

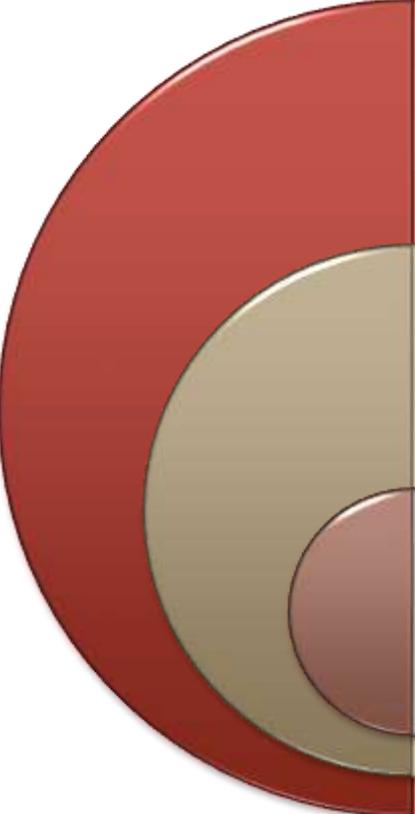
The purpose of the guidelines is to provide a basis for the standards and manuals on public sector auditing which may be applied by the individual members of INTOSAI.

The General auditing guidelines (ISSAIs 1000-4999) contain the recommended requirements of

- financial,
- performance and
- compliance auditing and provide further guidance to the auditor.

They define the internationally recognized best current practices within their general scope of application.

# Level 4 ISSAIs



ISSAI 1000-2999 General Auditing Guidelines on Financial Audit	• <b>39 Guidelines</b>
ISSAI 3000-3999 General Auditing Guidelines on Performance Audit	• <b>3 Guidelines</b>
ISSAI 4000-4999 General Auditing Guidelines on Compliance Audit	• <b>3 Guidelines</b>

ISSAI	Title
1000	General Intro to INTOSAI Financial Audit Guidelines
1003	Glossary
1200	Overall Objectives of the Independent Auditor and the conduct of an Audit in accordance with ISA
1210	Agreeing the Terms of Audit Engagement
1220	Quality Control for an Audit of Financial Statements
1230	Audit Documentation
1240	Auditors Responsibility relating to Fraud in an Audit of Financial Statements
1250	Consideration of laws and regulation in an audit of FS

ISSAI	Title
1260	Communication with those charged with governance
1265	Communicating deficiencies in Internal Controls to those charged with governance
1300	Planning an audit of FS
1315	Identifying and assessing risk of material misstatements through understanding the entity
1320	Materiality in planning and performing an audit
1330	Auditor's response to assessed risk
1402	Audit considerations relating to entities using service organizations
1450	Evaluation of misstatements
1500	Audit Evidence
1501	Audit Evidence-Specific considerations for selected items

ISSAI	Title
1505	External Confirmations
1510	Initial audit engagements-opening balances
1520	Analytical Procedures
1530	Audit Sampling
1540	Auditing accounting estimates
1550	Related parties
1560	Subsequent events
1570	Going Concerns
1580	Written Representations
1600	Special Consideration – Auditing group of FS

ISSAI	Title
1610	Using work of Internal Audit
1620	Using work of an Auditor’s Expert
1700	Forming an opinion and reporting
1701	Communicating key audit matters in audit report
1705	Modifications in audit opinion
1706	Emphasis of matter and other matter paragraphs
1710	Comparative Information – Corresponding figures and comparative FS
1720	Auditor’s responsibilities relating to other information in documents containing audited FS



ISSAI	Title
1800	Special consideration - Audit of Special Purpose FS
1805	Special consideration – Audit of Single FS and Specific Elements, Accounts or Items of FS
1810	Engagement to Report on Summary FS

# Performance Audit Guidelines ISSAI

## 3000-3999

ISSAI	Title
3000	Performance Audit Standard
3100	Guidelines on Central Concepts for Performance Audit
3200	Guidelines for the Performance Auditing Process

# Compliance Audit Guidelines ISSAI 4000-4999

ISSA I	Title
4000	Compliance Audit Guidelines - General Introduction
4100	CA Guidelines for audits performed separately from the audit of FS
4200	CA Guidelines related to Audit of FS