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## Guide for Cooperative Audit Programs between Supreme Audit Institutions

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This publication was prepared by the INTOSAI Capacity Building Committee – Subcommittee 2<sup>1</sup>. According to the strategic plan of INTOSAI 2005-2010 Goal 2, the main tasks of the Capacity Building Committee (CBC) are to build the capabilities and professional capacities of Supreme Audit Institutions through training, technical assistance and other development activities. The Subcommittee is to develop advisory and consulting services by:

- Developing a database of experts and investigators in public finance field. Professionals working today in different supreme audit institutions, as well as recently retired SAI staff, may be available to perform consulting and advisory duties;
- Encouraging joint and coordinated or parallel auditing programs. Joint programs are useful to validate methodology, generate guidelines, and improve processes;
- Encouraging internship and visit programs. The programs would facilitate the visit of professionals from other supreme audit institutions to share or receive current knowledge in innovative audit areas.

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<sup>1</sup> For more information: <http://www.intosaicbc.org/subcommittee-2-on-collaborative-audits-2/>

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1 **1 Introduction**

2

3 In recent years, cooperation among supreme audit institutions has expanded  
4 considerably. The momentum for this development was largely provided by  
5 INTOSAI through its congresses, standing committees, working groups,  
6 meetings, seminars and, in the most recent period, by its support of the  
7 INTOSAI development initiative. In many cases, cooperation was also the  
8 result of bilateral and regional initiatives through which the supreme audit  
9 institutions put into practice the INTOSAI motto which says that the  
10 exchange of experience benefits all.

11

12 The individual contributions to this Guide requested from all supreme audit  
13 institutions clearly show the extent of cooperation activities currently under  
14 way. They prove that supreme audit institutions intend to meet the  
15 challenges arising from global change by identifying and implementing new  
16 ways of effective organization and management for themselves. The  
17 present Guide is to be a contribution towards achieving the goal that the  
18 international community of supreme audit institutions can play an ever more  
19 essential role in improving public *resource* management.

20

21 **1.1 Format of this Guide**

22

23 The structure of this Guide reflects the successive steps of an audit  
24 mission. It addresses the steps of preparing, implementing and evaluating an  
25 audit exercise and provides advice and recommendations on each of these  
26 stages. The relevant explanations under each item cannot and are not meant  
27 to completely and fully address all the questions that may arise when  
28 conducting audits by several supreme audit institutions. In this Guide, it is  
29 impossible e.g. to take into consideration the variety in the national legal  
30 frameworks under which supreme audit institutions have to operate.  
31 Nevertheless, it appears likely that this Guide addresses the key questions to  
32 be answered by participants in a cooperative audit<sup>2</sup>.

33

34 **1.2 Objective of the Guide**

35

36 This Guide is to provide supreme audit institutions with a tool for preparing,  
37 implementing and following up on bilateral and multilateral audits. During  
38 the joint planning of such audits, the guide is to alert all participants to  
39 important issues that need to be clarified and agreed as a prerequisite for  
40 making the audit a success. Especially the model of a formal audit agreement  
41 and the checklist serve this purpose. While making use of the Guide cannot  
42 ensure that the audit will be a success for all participants, it may help to avoid  
43 potential pitfalls. The benefit that the Guide may provide partly depends on  
44 the lessons learnt by supreme audit institutions in applying it.

45

46

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<sup>2</sup> For the development of this guide the following documents were used as reference: Cooperation Between Supreme Audit Institutions – Tips and Examples for Cooperative Audits, 2007, ISSAI 5140: “How SAIs may cooperate on the audit of International Environmental Accords”

### 1.3 Definitions

Bearing in mind the international environment in which this Guide is to be used, it appears to make sense to start out by defining some of the concepts dealt with below. This is to prevent potential misunderstandings that might arise in the future cooperation of several supreme audit institutions.

#### *Type of cooperative audits<sup>3</sup>*

Cooperative audits between two or more supreme audit institutions can be divided into three types: parallel/concurrent, coordinated and joint audits (see figure 1).

- **Parallel/Concurrent Audit Mission:** A decision is taken to carry out similar audits. Methodology and audit approach could be shared. The audit is conducted more or less simultaneously by two or more autonomous auditing bodies, but with a separate audit team from each body, usually reporting only to its own governing body and only on matters within its own mandate.

For this type of audit, we could mention the audit conducted between 2006 and 2009 by 12 SAI from EUROSAI (Bulgaria, Czech Republic, Macedonia, Germany, Romania, Slovakia, Slovenia, Turkey, Spain, Switzerland, Ukraine and Poland). They all signed a cooperation agreement and the framework programme to be taken into account by all SAI in their audit research. The objective of the audit was to assess the performance of selected programmes/measures to promote employment of disabled people.

Another audit is the one conducted between 2008 and 2012 where SAI Czech Republic and SAI Germany agreed to conduct parallel audits both of the EU-wide awarding of building contracts and of corruption prevention. This audit focused on the application of EU procurement law as transposed into national law and corruption prevention of contracts for building construction and road construction and/or transport infrastructure. The audit also covered contract awards below the EU thresholds with a view to corruption prevention.

- **Coordinated Audit Mission:** A coordinated audit is either a joint audit with separate audit reports to the supreme audit institutions own governing bodies or a parallel audit with a single audit report in addition to the separate national reports.

As an example, we could mention the coordinated audit conducted between 2007 and 2008 by the SAIs from Ukraine, Germany,

---

<sup>3</sup> See INTOSAI, How Supreme audit institutions May Co-operate on the Audit of International Environmental Accords, 1998; INTOSAI, Cooperation between Supreme Audit Institutions – Tips and Examples for Cooperative Audits, 2007, Introduction, p. 1.

1 Netherlands, Poland, Russian Federation, Slovak Republic, Switzerland,  
2 United States of America and the European Court of Auditors in relation  
3 to the Chernobyl Shelter Fund.

4  
5 The audit objective was to establish the actual state of affairs regarding  
6 legal, organizational and financial support of decommissioning the  
7 Chernobyl Nuclear Power Plant (CNPP) and transforming destroyed  
8 CNPP Unit 4 into an environmentally safe system by fulfilling Shelter  
9 implementation Plan.

- 10  
11 • **Joint Audit Mission:** Key decisions are shared. The audit is conducted  
12 by one audit team composed of auditors from two or more  
13 autonomous auditing bodies who usually prepare a single joint audit  
14 report for presentation to each respective governing body.

15  
16 For this type of audit there is an example this guide could provide to  
17 potential SAIs interested in performing a joint audit, this refers to audit  
18 conducted by SAI Netherlands and SAI Belgium between 2007-2008.  
19 They both celebrated an agreement to conduct a joint audit about quality  
20 review in higher education in their countries.

21 In their joint examination they found that quality review in higher  
22 education both in the Netherlands and in Belgium is highly developed.  
23 However, the functioning of quality assurance in educational institutions  
24 themselves could be improved in several aspects. Five years later both  
25 SAIs conducted a follow up audit to verify whether their  
26 recommendations had been complied with.

27  
28 *Management (hierarchy) levels*

29  
30 Under a cooperative audit, the participating supreme audit institutions have  
31 to perform different functions. The tasks need to be coordinated in common  
32 or national teams, fieldwork is to be conducted, reports need to be drafted  
33 and decisions need to be taken. The functions are performed by persons who,  
34 while having different job titles within the hierarchy of each Supreme Audit  
35 Institution, have similar types of work to do. For purposes of this Guide, the  
36 various levels are defined as follows:

37  
38 Roles and responsibility will be undertaken depending on the participating  
39 supreme audit institutions.

- 40  
41 • 1<sup>st</sup> level: top management such as auditor general, (first) president or  
42 their deputies  
43 • 2<sup>nd</sup> level: heads of divisions, departments, line managers  
44 • 3<sup>rd</sup> level: heads of audit units, sections

- 1 • 4<sup>th</sup> level: senior auditors / auditors
- 2 • 5<sup>th</sup> level: other employees.

3  
4 The success of the audit will depend on the commitment of every party  
5 involved, specifically of the top management (First level).

### 6 *Committees*

7  
8  
9 When performing cooperative audits, it is important to have bodies/committees  
10 responsible of taking decisions and follow up to the whole process.

11  
12 Each supreme audit institution representative for either of the committees will  
13 be appointed at the signing of the standard agreement or during the preparation  
14 of audit, by official document

15  
16 Depending on the type of cooperative audit, participating SAIs may constitute  
17 the following committees:

- 18  
19 • **Coordination Committee:** This is a body for coordinating cooperative  
20 work under a parallel or coordinated audit exercise. The committee  
21 members share views on the audits and agree on the approach to be  
22 adopted. They communicate the information necessary for taking  
23 decisions to decision-makers at the participating supreme audit  
24 institutions and represent the decisions of these responsible persons vis-  
25 à-vis the other supreme audit institutions. The members of such  
26 committees may be experienced auditors (4<sup>th</sup> level) or higher.

27  
28 **Alternatively, participating SAIs may choose one of them as the**  
29 **Coordinator SAI to hold the responsibility of the fulfilment of the**  
30 **audit program (e.g. milestones, schedule).**

- 31  
32 • **Steering Committee:** This is a body for monitoring and steering the  
33 activities of the audit team in the course of a joint audit. This body  
34 takes all decisions about the cooperative audit to the extent that the  
35 leaders of the audit are not authorized to take them. At the same time,  
36 the representatives keep in contact with their respective supreme audit  
37 institutions. It is advisable for member to have the authority to take  
38 decisions within their organizations (3<sup>rd</sup> level or higher).

### 39 40 41 *Type of reports*

42  
43 In principle, there are two different forms in which the supreme audit  
44 institutions may report on the results of a cooperative audit.

- 45  
46  
47 • **Joint report (joint audit):** The participating supreme audit institutions  
48 draw up a joint report, which includes the findings, conclusions and  
49 recommendations developed by the audit and is made available to the

1            respective governing bodies and to national institutions. The report may  
2            be drawn up in one or several languages.

- 3
- 4            • **Joint report (coordinated audit):** The participating supreme audit  
5            institutions draw up a joint report – based on national reports, where  
6            applicable. The joint report includes some or all of the  
7            findings, conclusions and recommendations represented jointly by the  
8            supreme audit institutions. The joint report will be made available to the  
9            appropriate parliamentary or governing bodies, and if possible, according  
10           to legal framework, to any other stakeholder – supplementary to the  
11           national reports where appropriate. The report may be drafted in one or  
12           several languages.
- 13
- 14           • **National audit report (coordinated / concurrent or parallel audit):**  
15           The participating supreme audit institutions produce separate national  
16           reports. They include the findings, conclusions and recommendations  
17           developed by the national audit, supplemented, when possible, by the  
18           results of the audits of the other participating supreme audit institutions.  
19           The reports may have identical structures or may be similar only in parts.  
20           They are made available to the national bodies.

## 22           **2            Initiation of the audit**

### 24           **2.1          Objective of audit cooperation**

25

26           The Lima Declaration (Art. 15) rightly points out that the international  
27           sharing of information and experiences is an effective means of helping  
28           supreme audit institutions accomplish their tasks.

29

30           This implies the sharing of lessons learnt as well as the training of auditors  
31           and advice on audit methods. While regards need to be made to the different  
32           legal and economic framework of each nation, it is possible to use the  
33           experience gained by others as a basis for drawing conclusions about  
34           potential improvements in one's own country and better arrangements for the  
35           exercise of one's own audit functions. This approach may also help avoid  
36           repeating systemic errors that have already been detected by other supreme  
37           audit institutions.

38

39           International cooperation contributes to the training of auditors which  
40           increasingly becomes an international endeavor and gives them the chance to  
41           familiarize themselves with new working methods. At the same time, it offers  
42           the opportunity to unambiguously and clearly define the meaning of  
43           individual technical terms (terminology) in the various languages.

44

45           supreme audit institutions have worked together in a variety of ways. They  
46           have done so regularly in the form of parallel or coordinated audits, which  
47           involves the sharing of information. Joint audit missions have been less



1 frequent; such audits have been carried out by Algeria, Cyprus, Indonesia<sup>4</sup>,  
2 Lithuania, Maldives, Mozambique, Peru, Slovenia and Venezuela.

3  
4 Cooperation in an audit is usually necessary where a supreme audit  
5 institution carries out an audit requiring field work abroad. As a rule,  
6 supreme audit institutions are not entitled to conduct any audit work outside  
7 the territory of their country, e.g. at beneficiaries abroad, without the consent  
8 of the other country concerned. In some cases, the law authorizes them,  
9 subject to specified conditions, to request the assistance of foreign audit  
10 institutions.

## 11 12 **2.2 Decision on audit cooperation**

13  
14 The replies to the questionnaire distributed by the Working Group (cf. annex  
15 1) indicate that, apart from the fundamental interest in bilateral or  
16 multilateral cooperation, there is a wide variety of different underlying  
17 motives. Cooperative audits may enhance existing cooperation between  
18 supreme audit institutions and may strengthen informal networks.

19  
20 Cooperation among supreme audit institutions is not a waste of time but a  
21 need for keeping them effective, since it promotes benchmarking and the  
22 development of best practice in all institutions involved<sup>5</sup>. It serves the  
23 development and enhancement of general professional knowledge of public-  
24 sector auditors. The sharing of lessons learnt, knowledge and  
25 methodology in fields of interests of the supreme audit institutions  
26 was often mentioned as a motive. Supreme audit institutions wish to review  
27 their existing practices and compare them to international good practice and  
28 standards. In some cases, this knowledge is needed for an audit exercise  
29 already under way. The INTOSAI Working Group on Environmental  
30 Auditing has mentioned the following principal objectives:

- 31  
32
- 33 • to support supreme audit institutions in developing understanding of
  - 34 the specific problems connected with environmental auditing;
  - 35 • to facilitate exchange of information and experiences in this field;
  - 36 • to publish methodological Guidelines and other information useful for
  - 37 supreme audit institutions (i.e. recommendations in the scope and
  - 38 methods of environmental audits).<sup>6</sup>

39 Today, the major reason is likely to be the need to work out solutions to  
40 international challenges, e.g. environmental issues, collection of taxes and  
41 duties or combating and prosecuting international crime. For many  
42 supreme audit institutions, the motivation to find common solutions for  
43 problems of an international scale is the decisive factor for the desire to  
44 cooperate. In a number of cases, cooperation aims at developing a common

---

<sup>4</sup> Indonesia through participation in the audit; in Cour des Comptes audit – note: CdC was UNBOA incumbent – BPK RI’s auditors participated actively. The auditors were using UN auditing standards.

<sup>5</sup> XVIII INCOSAI, Theme I, discussion paper on the possibilities for bilateral and multilateral cooperation among supreme audit institutions (SAIs). Author: National Audit Office United Kingdom.

<sup>6</sup> Website INTOSAI WGEA: <http://www.environmental-auditing.org/>.

1 policy of the supreme audit institutions, above all for the protection of our  
2 environment.

3  
4 Frequently, cooperative audits also refer to programs, in which several  
5 countries are involved, e.g. the audit of financial assistance to strengthen  
6 the agricultural and regional infrastructure, of donor funds. For example:  
7 auditing of the tsunami fund was becoming common interest of many  
8 supreme audit institutions due to huge amount of money involved from  
9 donor countries to tsunami-hit countries. Therefore it is necessary to have a  
10 sound report which is transparent and accountable for donors, which usually  
11 raised funds from people. For a donor country, however, it was more  
12 efficient to involve local auditors in their supreme audit institutions audit  
13 so that they gain a better understanding of the real condition of tsunami  
14 victims. The audits often address transparency, proper use, reporting on and  
15 verification of these programs.

16  
17 In the case of other issues of an international scale, e.g. customs  
18 administration and immigration, money-laundering, human trafficking or  
19 multinational defense agreements, audits by an individual supreme audit  
20 institution within its national borders do not make much sense.<sup>7</sup> Thus it is  
21 reasonable for SAIs to conduct a cooperative audit.

### 22 **2.2.1 Selection of SAIs for the audit**

23  
24 In many cases, cooperation will be motivated by the fact that such cross-  
25 border matters as environmental pollution, visible and invisible imports or  
26 exports, cash flows or certain taxes or customs duties can only be audited in  
27 the form of cross- border cooperation. Apart from the former, certain  
28 conditions and/or transactions found in more than one country can be audited  
29 such as government grants to particular sectors of the economy (energy  
30 sector or agricultural sector). The analysis of the responses to the  
31 questionnaire indicated a number of interesting audit fields that can be  
32 divided into several, partly overlapping audit areas (cf. annex 2).

### 34 **2.2.2 Selection of SAIs for the audit**

35  
36 The selection of suitable audit participants is often directly influenced by the  
37 audit theme.

- 38  
39 • In the case of audits in the field of the environment and  
40 environmental funds, the participants are selected from among those  
41 countries that belong to given geographic region (e.g. countries  
42 adjoining a lake or the sea, forest or national parks) or countries that are  
43 parties to a given convention (e.g. Helsinki Convention). In the case of  
44 environmental audits, the participation of supreme audit institutions of  
45 countries that exert particular influence on the environment is of  
46 considerable interest. Concerning audits of aid funds for the relief of

---

<sup>7</sup> See XVIII INCOSAI, Theme I, discussion paper on the possibilities for bilateral and multilateral cooperation among supreme audit institutions (SAIs). Author: National Audit Office United Kingdom.

1 natural disasters the supreme audit institutions of both the donor and  
2 recipient countries should participate.

- 3 • When it comes to auditing certain structures (bridges, motorways), the  
4 audit institutions of the countries in which the structure is located will  
5 participate in the audit.  
6
- 7 • Audits relating to cross-border commercial transactions in certain goods  
8 / services and to the connected taxes and custom duties will be conducted  
9 in cooperation by the supreme audit institutions of those countries to  
10 which these transactions and revenues are of significant concern. The  
11 same applies to the cross-border movement of ordinary and hazardous  
12 wastes. For those audits, the participants are also usually chosen from the  
13 countries concerned.  
14
- 15 • Apart from regional factors, cooperation by several supreme audit  
16 institutions may make sense, if they or their countries have similar  
17 interests. For instance, a cooperative audit might look into the cost-  
18 effectiveness of loans that international organisations have granted to  
19 individual recipient countries.  
20
- 21 • Apart from the former, there is a special interest in the participation of  
22 Supreme Audit Institutions of countries that have special expertise owing  
23 to already having conducted an audit in the relevant field, have proven  
24 experts on their staff or make frequent use of audit methods that are also  
25 of interest of other supreme audit institutions. This applies especially to  
26 audits that are primarily conducted for training purposes. Another  
27 participation option to be considered is the supreme audit institution of a  
28 country which (probably) has developed good practice in a given area,  
29 although the supreme audit institution concerned has not yet conducted a  
30 relevant audit. In this case, a cooperative (parallel) audit which involves  
31 the sharing of essential audit findings is an attractive option.

### 32 **2.2.3 Selection of the suitable type of audit**

33  
34 Audit cooperation between supreme audit institutions is not a novelty but is  
35 continuously increasing and may take a wide variety of different forms.

36  
37 A distinction is usually made between:

- 38 • Consultancy: restricted to sharing information;
- 39 • Mutual support: the audit is based on audit results developed by another  
40 supreme audit institution without duplicating them;
- 41 • Harmonization: audits with similar or common audits methodology and  
42 approach;
- 43 • Joint audit: the audit team is made up of individual auditors from a  
44 number supreme audit institutions. In some countries, there are legal

1 barriers preventing joint audits because there is no legal authority for  
2 doing audit work outside the national territory.<sup>8</sup>

3  
4 While consultancy and mutual support can largely be practiced informally,  
5 coordinated and parallel audits (on the basis of harmonization) require  
6 thorough preparations and agreements. However, in many cases, the  
7 participants have no mutual legal obligations and cooperation is rather based  
8 on the principle of good will.<sup>9</sup>

9 One may distinguish between parallel or (simultaneous) audit, coordinated  
10 audit and joint audit (cf. item 1.3 above). These forms of cooperation can  
11 often not be clearly set apart (cf. figure 1 below). The degree of  
12 cooperation varies along a continuum from parallel audits to joint audits. A  
13 decision as to which type of cooperative audit is conducted is not really  
14 important as far as the participating Supreme Audit Institutions take the same  
15 opinion about all relevant points. Audits that fully meet the description of the  
16 concept of “joint audit” are rare and in a number of cases<sup>10</sup> are subject to  
17 special requirements.  
18  
19

---

<sup>8</sup> For example in Austria; see report of the Austrian SAI by collegiate executive Mag. Wilhelm Kellner on audits of supreme audit institutions in a globalized environment (multilateral audits, coordinated audits); 19th UN/INTOSAI Symposium, SYMPOSIUM ON VALUE AND BENEFITS OF GOVERNMENT AUDIT IN A GLOBALISED ENVIRONMENT, 28–30 March 2007, Vienna, Austria, <http://www.intosai.org/uploads/anlageie.pdf> Page 90-94

<sup>9</sup> Example: Understanding on which points to include in the national reports that are to appear in parallel to the joint audit report: (“National Reports should include the following issues”) on the International Coordinated Audit of the Chernobyl Shelter Fund [http://www.environmental-auditing.org/Portals/0/AuditFiles/Ukraine\\_joint\\_f\\_eng\\_Chernobyl.pdf](http://www.environmental-auditing.org/Portals/0/AuditFiles/Ukraine_joint_f_eng_Chernobyl.pdf)

<sup>10</sup> While the German SAI may enter into agreements with foreign, supranational or international audit authorities, issue or accept commissions to carry out individual audit assignments, or may take over audit duties on behalf of supranational or international institutions, this is contingent on empowerment by international treaties or intergovernmental agreements (article 93, paragraph 2, Federal Budget Code)

## Characteristics of Cooperative Audits

**Figure 1**

| <b>TYPE OF AUDIT</b> |                              |                              |                    |                    |
|----------------------|------------------------------|------------------------------|--------------------|--------------------|
|                      | <b>Parallel Audit</b>        | <b>Coordinated Audit</b>     |                    | <b>Joint Audit</b> |
| <b>Team</b>          | National audit teams         | National audit teams         | Joint audit team   | Joint audit team   |
| <b>Objectives</b>    | similar / (partly) identical | similar / (partly) identical | identical          | identical          |
| <b>Scope</b>         | similar                      | similar / (partly) identical | identical          | identical          |
| <b>Methodology</b>   | similar                      | similar / (partly) identical | identical          | identical          |
| <b>Conducting</b>    | (nearly) simultaneous        | simultaneous                 |                    |                    |
| <b>Report</b>        | National audit reports       | National audit reports       | Joint audit report | Joint audit report |
| <b>Evaluation</b>    | National audit teams         | National audit teams         | Joint audit team   | Joint audit team   |

In many cases, several supreme audit institutions carry out audits that are a mixed type because they meet the criteria of more than one category of cooperative audits. In most cases, such audits are coordinated involving elements of consultancy and of mutual support.

### **2.3 Confidentiality**

Cooperation with the Supreme Audit Institutions of other countries necessarily implies sharing information. As a rule, audit findings may be communicated to other audit bodies only in cases where relevant legislation provides for doing so.

Therefore, the sharing of information should be limited to those supreme audit institutions that work together in a cooperation project and need the findings in order to be able to participate. In the case of multilateral audits, it may make sense to restrict the communication of certain information to one SAI that exercises a coordinating function.

SAIs may wish to consider sharing only as need to be taking into account the following aspects:

- It is usually sufficient to furnish the partner institutions with summary information. As a rule, it will not be necessary to provide the partner

1 institutions with complete audit reports that are addressed to national  
2 bodies (e.g. the Parliament or the Government).

- 3 • Where the communication of data has been agreed and is necessary for  
4 performing the cooperative audit, it may be possible for personal data to be  
5 depersonalized.
- 6 • Certain classified data may not be sent via e-mail or by ordinary  
7 post without being encrypted.
- 8 • The audited body or other stakeholders concerned<sup>11</sup> have a right to be  
9 heard before audit findings are forwarded to other bodies – including  
10 other supreme audit institutions.
- 11 • The cooperating supreme audit institutions may consider agreeing that  
12 information will be released to third parties only with the consent of the  
13 supreme audit institution from which the data originates (see Standard  
14 Audit Agreement, Article 15).

15  
16 Generally, standing orders are in place that govern how certain data are  
17 handled. In view of its wide scope of authority, the supreme audit institution  
18 is usually responsible for ensuring that the documents and information  
19 received are given confidential treatment and that specific provisions on  
20 secrecy are complied with.

21  
22 In some countries, any retrieval of sensitive data by public authorities is  
23 subject to privacy rules. Sensitive data especially include personal data, i.e.  
24 data that permit conclusions about the personal circumstances of the citizens  
25 or legal entities affected. Especially, communication to other bodies of  
26 data collected may encroach upon the right to privacy. Therefore, the data  
27 are usually always depersonalized before passing them on or even publishing  
28 them. Where it is impossible to restore personal identification,  
29 communicating the data does not interfere with privacy rights.

30  
31 Certain groups of persons are bound by special rules on professional secrecy  
32 (e.g. staff of medical and psychological assessment services, lawyers in  
33 connection with providing advice to their clients). Those who, in the  
34 course of their audit work, receive information to which professional  
35 secrecy rules apply, partly have the same duty of secrecy and, in case of  
36 infringement, face the same penal sanctions as other professionals.

37  
38 In addition to general official and professional secrecy rules, specific secrecy  
39 rules need to be complied with. In many countries, these include postal and  
40 telecommunications secrecy, tax secrecy and secrecy of social security  
41 and welfare matters. In addition, there is a large number of other legal  
42 provisions on privacy e.g. the right to secrecy of parties to administrative  
43 proceedings or similar rights according to commercial law.

---

<sup>11</sup> In the case of Germany, this applies e.g. to natural or legal persons not covered by rights of audit but appearing in audit reports because they are involved in discharging public administration functions

## 2.4 Formal agreement on audit cooperation

Depending on the mode of audit cooperation or the kind of audit cooperation chosen, there is a wide variety of open issues on which (possibly binding) agreement should be reached by the participating Supreme audit institutions prior to the commencement of the cooperative audit (cf. annex 4 - Standard Audit Agreement). The aim is to prevent any delays in conducting audit work by means of discussing frankly all essential issues among all participants before starting the audit. Clear rules to which the participating supreme audit institutions have committed themselves in the audit agreement will especially be of merit for operative decision-making on organizational issues. In drafting the agreement, attention needs always to be paid to safeguard independence in connection with audits and the collection of audit evidence.

## 3 Sequence of steps of audit work

Once the preliminary steps up to the signing of a formal audit agreement have been taken, the arrangements made must be put into practice. Full communication among all participants is a vital ingredient for the success of any cooperative audit.<sup>12</sup>

### 3.1 Preparation of audit

In the course of audit preparation, all agreements (formally concluded where applicable) relating to the audit is implemented. This includes especially the formation of one or several audit teams, the necessary training, identify and exchange the nation-wide significant risks relating to the audit theme and audit objectives of the cooperative audit, analysis of audit findings already available and the drawing up of an audit design outline including the methodology to be used as well as the time schedule<sup>13</sup>.

#### *Audit team(s)*

Concerning the selection of participating auditors, various approaches may be appropriate depending on the form of audit chosen<sup>14</sup>.

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<sup>12</sup> See INTOSAI, 2007, Throughout All Audit Phases, p. 3

<sup>13</sup> During the preparation of a coordinated audit, the steps to be followed will depend on the approach to be adopted, either as a joint audit with separate audit reports or as a parallel (or concurrent) audit with a unique report, in addition to the national reports.

Figure 2

| <b><u>Parallel Audit</u></b>   | <b><u>Joint Audit</u></b>   |
|--|---|
| <ul style="list-style-type: none"> <li>• Selection of members of the national audit teams.</li> <li>• Designation of the responsible national team leaders</li> <li>• Exchange of information about the audit teams among the participating supreme audit institutions</li> <li>• Joint coordination meeting of the persons responsible for the audit teams</li> <li>• Setting-up of a coordination committee</li> </ul> | <ul style="list-style-type: none"> <li>• Selection of the respective members of the participating supreme audit institutions (4th level or higher)</li> <li>• Designation of the responsible team leadership (3rd level or higher)</li> <li>• Release of the members/auditors selected for the joint audit from other duties</li> <li>• First information exchange between the members of the audit team.</li> <li>• Joint preparatory meeting of the audit team</li> <li>• Setting-up of a steering committee</li> </ul> |

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In the case of joint audits, it is advisable to designate the members of the audit team already in the formal audit agreement. At least the member that is to responsibly represent each participating supreme audit institution in the audit team needs to be designated at an early stage. The requirements to be met by the participating auditors, especially with respect to language skills, can thus be discussed and agreed among the participating supreme audit institutions on a timely basis.

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Where the participating supreme audit institutions have formed a joint audit team, it is advisable the respective members enable to provide an adequate input into the work of the team for a considerable period of time. Apart from the formal requirements that have to be met to ensure this, auditors could be largely relieved from other audit work. Such arrangements can effectively prevent potential conflicts arising from parallel commitments to different tasks that especially may jeopardize compliance with the time schedule agreed for the joint audit.

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Relying on external expertise may also be of merit. The experts may come from one or several countries involved and provide support to audit work for the benefit of all participants. Funding for such experts may be agreed by participating SAIs at the beginning of the audit.

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#### *Leading and decision-making bodies*

The structure of leading and decision-making bodies may differ according to the form of audit chosen:



**Figure 3**

| <b><u>Parallel Audit</u></b>   | <b><u>Joint Audit</u></b>   |
|--|---|
| <ul style="list-style-type: none"> <li>• Leading the national audit teams will be the responsibility of the national supreme audit institutions</li> <li>• Taking decisions about the national audit will be the responsibility of the national supreme audit institutions</li> <li>• The audits will be coordinated by a joint body (coordination committee)</li> <li>• Where decisions on individual issues have to be taken jointly, they will be taken by the decision-makers at the respective national supreme audit institutions (where necessary)</li> </ul> | <ul style="list-style-type: none"> <li>• The leader(s) of the audit team will be designated jointly by all participating supreme audit institutions</li> <li>• Decisions about the audit within the scope of authority assigned will be taken by the leader(s) of the audit team</li> <li>• Steering of the audit by a joint body (steering committee)</li> <li>• Decisions about the joint audit outside the scope of authority given to the leader(s) of the audit will be taken by a steering committee on which all participating supreme audit institutions will be represented</li> </ul> |

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For most parallel audits, joint leading and decision-making bodies are not likely to be needed. Since national audits are conducted under the responsibility of each national SAI, only a coordinating body is required. Its task will be to ensure the necessary sharing of information and coordination of the national audits.

In contrast, there should be a single leadership in the case of joint audits. The leader(s) designated jointly will discharge their functions under their own responsibility within the scope of authority assigned. A joint steering committee of representatives from all participating supreme audit institutions could be set up to take decisions that go beyond the leadership’s authority. It is advisable these representatives have the necessary decision-making powers in order to be largely able to take decisions without further coordination processes within their respective national institutions. If this requirement is not met, there is a risk that the coordination procedures within the national supreme audit institutions have a significant impact on the development of the joint audits.

If a joint report on the results of coordinated audits is to be produced, it is advisable to set up a joint committee for drafting and coordinating this report. Here again, the national representatives of this committee should have the necessary decision-making powers to reach a final agreement on the findings, conclusions and recommendations of the joint report.

1 *Preparatory meetings / training events*

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3 It is recommendable that joint meetings of the participants take place prior  
4 to commencement of the audit(s). Its objective should be to exchange views  
5 about the theme, contents and successive phases of the planned audit(s).  
6 Such a meeting provides a forum for the participants to talk about lessons  
7 already learnt, to point out national peculiarities and to impart relevant  
8 knowledge for the audit. In case of a joint audit, this preliminary meeting  
9 also provides the opportunity for the members of the audit team to come to  
10 know each other. In the case of parallel audits, it is advisable that, at least the  
11 members of the coordinating committee (if any) meet.  
12

13 In addition, it may be useful to hold joint training events in preparation for  
14 the cooperative audit. Seminars and workshops of the participating auditors  
15 may help to ensure that they can start the audit on the basis of an identical  
16 level of knowledge. In this context, it may be worthwhile to call in external  
17 experts from international organizations or academies that are already  
18 dealing with the audit theme, in many cases from an international perspective.  
19

20 *Conduct of preliminary (national) studies*

21  
22 National legal and other provisions permitting, preliminary studies before  
23 starting the audit may be useful. The essential purpose of such a preliminary  
24 study is to generate basic findings for the audit by means of research e.g. on  
25 the Internet or in libraries.  
26

27 On this matter, SAIs could identify and exchange the nation-wide significant  
28 risks relating to the audit theme and audit objectives of the cooperative audit  
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30 The sources of information to identify such risks would include but not  
31 limited to the following:  
32

- 33 • Budget documents of the auditee;
- 34 • Internal guidelines and operating manuals of the auditee;
- 35 • Previous audit findings;
- 36 • Internal audit reports;
- 37 • Discussion with the national governing bodies and key stakeholders;
- 38 • Data from the management information system.  
39

40 *Compilation of results of previous (national) audits*

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42 Compiling and analyzing the results of previous audits that addressed a  
43 similar audit theme is an appropriate preparation for carrying out the joint  
44 audit. The findings and recommendations developed by previous audits may  
45 indicate potential approaches for the joint audit. However, it is necessary to  
46 consider the extent to which the respective national situations lend themselves  
47 to an international review.  
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1 *Audit design outline (including time schedule)*

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3 The most important ingredient to the preparation of an audit is drafting an  
4 audit design outline. Depending on the form of the audit, the requirements  
5 as to contents, structure and approach differ.

6 **Figure 4**

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| <b>Parallel Audit</b>  | <b>Joint Audit</b>   |
|--|--|
| <ul style="list-style-type: none"><li>• National audit design outlines with comparable contents, perhaps on the basis of a common model</li><li>• Deviations / adjustments in accordance with the respective national legal framework are possible</li><li>• The audit design outline needs to be approved by the authorized decision- makers of the respective national SAI</li></ul> | <ul style="list-style-type: none"><li>• Uniform audit design outline</li><li>• Taking into account the national legal frameworks that govern the work of the participating Supreme audit institutions</li><li>• Approval by all participating Supreme audit institutions</li></ul> |

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9 As a rule, the audit design outline is not likely to be an integral part of the  
10 formal audit agreement between the Supreme audit institutions. In case of a  
11 joint audit, it will therefore have to be approved at least on the level of the  
12 steering committee, unless the right of approval is reserved - by national  
13 legal provisions, where applicable – to the decision-makers within the  
14 participating supreme audit institutions. If so, sufficient time must be allowed  
15 for coordination.

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17 *Time table / Action plan*

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19 Planning the timing of the audit(s) is an essential component of the audit  
20 design outline. Where the audit is based on a formal audit agreement among  
21 the participating supreme audit institutions, it is likely that the key points,  
22 such as basic steps of work, time for / form of completion of each step, have  
23 already been set out in that agreement. The degree of precision of and  
24 commitment to the time schedule will also depend on the form of audit.

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**Figure 5**

| <u><b>Parallel Audit</b></u>  | <u><b>Joint Audit</b></u>   |
|---|---|
| <ul style="list-style-type: none"> <li>• Framework timetable with the essential common milestones e.g. dates of starting and finishing the national audits, reporting of audit findings etc.</li> <li>• General timetable with large time buffers</li> <li>• Acknowledgement of the timetable by all participating Supreme audit institutions</li> <li>• Timetables for national audits, taking into account the above-mentioned mile stones</li> </ul> | <ul style="list-style-type: none"> <li>• Detailed time table, taking into account the successive phases of the joint audit</li> <li>• Allotting time for the various audit steps, especially the necessary coordination work within the participating Supreme audit institutions.</li> <li>• Approval by the participating Supreme audit institutions (steering committee)</li> </ul> |

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In parallel audits, the timetable thus merely provides a framework within which the Supreme audit institutions should conduct their own audits under their sole responsibility. Changes in the national audits may affect the agreed timetable but not necessarily so.

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### **3.2 Implementation of audit**

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When conducting joint audits, a number of peculiar features arise from cooperation and coordination among the participating Supreme audit institutions. The joint audit or the several national audits follow the usual sequence of audit steps. In case of a joint audit, the individual SAI is superseded as decision-making, monitoring and steering body by the leader(s) of the audit or the steering committee<sup>15</sup>.

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#### *Monitoring compliance with the timetable and audit progress*

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The extent to which the participating Supreme audit institutions are involved in monitoring compliance with the timetable and audit progress depends on the form of audit chosen.

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<sup>15</sup> In the case of a coordinated audit, the implementation of the audit will follow the steps depending on the approach to be adopted, either as a joint audit with separate audit reports or as a parallel (or concurrent) audit with a unique report, in addition to the national reports.

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**Figure 6**

| <b><u>Parallel Audit</u></b>  | <b><u>Joint Audit</u></b>  |
|---|--|
| <ul style="list-style-type: none"><li>• Steering the national audits is the responsibility of each participating Supreme Audit Institution</li><li>• All participants need to be informed of any significant deviations from the timetable in the course of the national audits</li><li>• Adjustment of the timetable after coordination among the participating Supreme audit institutions (coordination committee, where appropriate)</li></ul> | <ul style="list-style-type: none"><li>• Steering the joint audit is the responsibility of the leader(s) of the audit/the steering committee</li><li>• Involvement of the national Supreme Audit Institutions only where needed and on the initiative of the steering committee</li><li>• Adjustment of timetable by the steering committee</li></ul> |

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On the whole, parallel audits imply that the participating Supreme audit institutions perform essential steering functions independently of each other, while, in the case of a joint audit, these functions are delegated to the team leader(s) or a steering committee.

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*Regular sharing of information / working meetings*

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While communication is of particular importance in any audit, it is an indispensable ingredient for the success of a cooperative audit. Whenever it seems necessary or advisable, full sharing of information should take place not only within the audit teams but also among other responsible officers in the participating Supreme audit institutions. Regular mutual information

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e.g. on the progress made, any interim findings generated from field work or responses of the audited bodies will enable the participating Supreme audit institutions to adapt their activities accordingly where necessary.

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Especially during a parallel audit, the sharing of information can ensure that the national audits generate comparable results. Where one participating institution identifies any need for change or difficulty, the other parties involved may react in an early stage.

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Apart from the use of electronic media (e-mail, Internet), regular joint meetings are a suitable tool for information exchange. In particular, such meetings foster informal contacts between the participating individuals and create the basis for cooperation in a spirit of mutual confidence. It is recommendable that participants come to know each other by means of open communication and discussions outside the formal meetings, thus avoiding potential impediments to cooperative audit work.

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*Exchange of results*

Apart from the continued sharing of information about the audit(s), the exchange of audit results is the essential core element of a cooperative audit conducted by Supreme audit institutions.

**Figure 7**

| <b><u>Parallel Audit</u></b>  | <b><u>Joint Audit</u></b>   |
|---|---|
| <ul style="list-style-type: none"><li>• Communication of the results of the national audits, also of interim results where appropriate</li><li>• Reconciliation of the results among the participating Supreme audit institutions</li></ul> | <ul style="list-style-type: none"><li>• Sharing of information about the results of the respective national collection of audit evidence</li><li>• Agreement on audit findings after completion of the collection of audit evidence</li></ul> |

Under parallel audits, the national Supreme audit institutions will communicate to each other the audit results on or before the date when the national audits are completed. They could also inform the other participating organizations about essential interim results. On this basis, the participating Supreme audit institutions may analyze and compare their specific national situations. Such information may also provide the basis for a final joint report.

In the case of joint audits, the respective national Supreme audit institutions should be informed about the audit evidence collected in their respective countries. They may then analyze the findings at an early stage and may help clarify apparent inconsistencies or misunderstandings. All results could be discussed by the joint bodies, taking into account any advice provided by the Supreme audit institutions. Another alternative will be for SAIs to decide what information to exchange, during audit planning phase, based on the materiality, and require the audit evidences of the significant findings shared with partner SAIs. If this were the case, the proposed step may include:

- Firstly, establish and agreed the materiality level for performance audit and/or financial audit among the participating SAIs;
- Then, the significant findings are identified by the joint steering committee;
- Finally, exchange the audit evidences on material findings among participating SAIs.

1 **3.3 Reporting on the audit**

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3 The nature, content and scope of reporting and the potential addressees of the  
4 joint report on an audit by two or more Supreme audit institutions are  
5 largely determined by the form of audit chosen. Therefore, reporting may  
6 take the form of national documents or of a document drafted jointly.  
7

8 **Figure 8**

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| <b><u>National Audit Report(s)</u></b>   | <b><u>Joint Report</u></b>   |
|--|--|
| <ul style="list-style-type: none"> <li>• National reports with similar structures</li> <li>• Potential deviations derived from the designs/results of the national audits</li> <li>• Findings, conclusions and recommendations are developed under the separate responsibility of each national SAI</li> <li>• Where appropriate, a joint summary of the national reports may be produced (e.g. as a component of the national reports)</li> <li>• Reports addressed to national bodies (Parliament, Government etc.)</li> </ul> | <ul style="list-style-type: none"> <li>• Single report</li> <li>• Findings, conclusions and recommendations are developed under the joint responsibility of all participating Supreme audit institutions</li> <li>• Reports addressed to national bodies (Parliament, Government etc.)</li> <li>• Where appropriate, also addressed to international organizations which have a responsibility in the audited field</li> </ul> |

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11 While in a joint audit, all participating supreme audit institutions issue an  
12 identical report, several independent national reports are issued in the case of  
13 parallel audits. These reports should have similar structures but need always  
14 take regard to national peculiarities. To that extent, deviations, e.g. owing  
15 to other and possibly broadened audit approaches are possible without  
16 jeopardizing the objectives of the cooperative audit. Whether, in addition to  
17 the features of a parallel audit, the results of the other national audits are  
18 reflected in the national reports or whether a separate document is drawn up  
19 will depend on the interests of each SAI and the legal framework in which it  
20 operates. The SAIs might wish to consider including a joint summary into  
21 their national reports  
22

23 Since a parallel audit merely involves comparable audits at the national  
24 levels, reporting is addressed primarily to the responsible national bodies.  
25 These may be the Government or individual ministries and the Parliament.  
26 Usually, the joint report on a joint audit will also be addressed to these  
27 bodies. Based on its international approach, such a report will be also of  
28 interest to organizations that have to deal with the issues audited in an  
29 international context. Within the scope of the legal framework by which

1 each SAI is governed, the option of joint reporting to such organizations  
2 should always be borne in mind.

#### 4 **Evaluation and further audit cooperation**

5  
6 The participating Supreme audit institutions should not yet terminate  
7 the audit exercise upon conclusion of the audit process and submission  
8 of a report. If supreme audit institutions wish to comply with their primary  
9 duty of seeking to improve public sector performance, they have to ensure that  
10 their own activities comply with high quality standards. Therefore, the  
11 supreme audit institutions themselves should assess whether the audit has  
12 been successful. Such an ex-post review is part of a system of quality  
13 management which is to enable Supreme audit institutions to identify  
14 deficiencies and address them where necessary.<sup>16</sup>

15  
16 The term “evaluation” can be defined as the description, analysis and  
17 assessment of projects and processes. In the case of audits, such evaluation  
18 needs to be based on such criteria as audit standards and rules of procedure  
19 that explain how the successive phases of the audit have to be implemented.  
20 One key element the audit design outline (see item 3.1 above).

21  
22 In addition, participating SAIs could consider including best practices and  
23 lessons learnt about the auditing, when possible, and appropriate, this can also  
24 be mentioned on the audit report under recommendations or as a separate  
25 document, previously agreed by the SAIs.

#### 27 **4.1 Review of audit performed**

28  
29 In any evaluation, first check the implementation of the successive steps of  
30 the audit, in particular, compliance with the timetable, achievement of the  
31 pre-set audit objectives, the extent to which audit findings reflect the audit  
32 approaches and the action taken by the audited bodies in response to the audit  
33 recommendations. This form of evaluation could also be conducted in the case  
34 of purely national audits.

35  
36 Information on the evaluation of the audit exercise should be recorded in  
37 writing in the form of an audit minute. In this document, the individuals who  
38 participated in the audit will show whether the audit has developed as  
39 expected or whether there have been deviations. This refers to such factors  
40 as the timeframe and the audit approach (scope and audit methodology).  
41 Such an audit minute should give detailed reasons for the differences between  
42 targeted and actual performance.

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<sup>16</sup> The Supreme audit institution of Denmark, Finland and Norway published an evaluation report (lessons learned) of their “Parallel Audit of the Nordic Cooperation Regarding the Electricity Emergency Preparedness” in February 2009. An abstract of the report can be found at: <http://uk.rigsrevisionen.dk/media/1892056/1-2008.pdf>



1 Deviations from the audit design outline and time schedule should not be  
2 considered as tantamount to deficiencies. Since the audit design and time  
3 schedule are worked out at the beginning of an audit, it is possible that little  
4 information is yet available about the audit topic. If e.g. more information  
5 than expected needs to be analyzed at an audited body, this may justify delays  
6 in audit performance.

## 8 **4.2 Ex-post evaluation of audit cooperation**

9  
10 Cooperative audits of Supreme audit institutions often are more demanding  
11 on the auditors and require a larger input than national audits. Further  
12 problems may be caused by the cooperation of several Supreme audit  
13 institutions. It is recommendable that Ex-post evaluation also assess the  
14 quality of audit cooperation. Problems in this field may arise, if auditors with  
15 different mother tongues are assigned to a cooperative audit. In such a case,  
16 adequate command of other languages is of considerable importance. It is  
17 advisable participating supreme audit institutions make sure that the auditors  
18 assigned have adequate language skills. This is contingent upon the  
19 supreme audit institutions taking timely action to bring auditors to the  
20 required level of command of the foreign language concerned.

21  
22 Another question to be addressed is whether the audit objectives set prior to  
23 commencement of the audit have actually been achieved. The more precisely  
24 the objectives have been defined, the better can the evaluation reveal whether  
25 the objectives have been reached fully, partly or not at all. Since  
26 compared to national audits, international audits require a larger cooperation  
27 effort among auditors; a critical assessment needs to be made of whether the  
28 results of the audit have justified the connected input of time and resources.  
29 In view of the considerable costs of official travel abroad, the evaluation also  
30 could verify compliance with the cost ceiling.

31  
32 There are two reasons why the evaluation of audit exercises and audit  
33 cooperation is important for the participating supreme audit institutions: on  
34 one hand, the results of ex-post evaluation are an important basis for  
35 deciding about further action after the audit (for details see 4.3 below), on  
36 the other hand, the evaluation may teach lessons that can be applied to  
37 future audits.

## 39 **4.3 Continuation of audit cooperation**

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42 It is recommendable that at the end of ex-post evaluation, supreme audit  
43 institutions consider whether continuing cooperation in the audited field  
44 will add value. The evaluation of this issue depends on the result of the  
45 audit. If e.g. considerable deficiencies in government operations have been  
46 identified and if Supreme audit institutions have made recommendations for  
47 improvement, it may be a good idea to conduct a follow-up audit after a  
48 certain period of time.

1 The audit results could also prompt supreme audit institutions to look into  
2 similar audit fields. In this way, they could apply and perhaps even enhance  
3 acquired knowledge.