

INTOSAI



*Guide on
Cooperative Audits*

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1 Introduction

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

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

1.1 Format of this Guide

The structure of this Guide reflects the successive steps of an audit mission. It addresses the steps of preparing, implementing and evaluating an audit exercise and provides advice and recommendations on each of these stages. The relevant explanations under each item cannot and are not meant to completely and fully address all the questions that may arise when conducting audits by several supreme audit institutions. In this Guide, it is impossible e.g. to take into consideration the variety in the national legal frameworks under which supreme audit institutions have to operate. Nevertheless, it appears likely that this Guide addresses the key questions to be answered by participants in a cooperative audit¹.

1.2 Objective of the Guide

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

¹ 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 audits²

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, Netherlands, Poland, Russian Federation, Slovak Republic, Switzerland,

² 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.

United States of America and the European Court of Auditors in relation to the Chernobyl Shelter Fund.

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

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

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

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

Management (hierarchy) levels

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

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

- First level: top management such as auditor general, (first) president or their deputies
- Second level: heads of divisions, departments, line managers
- Third level: heads of audit units, sections
- Fourth level: senior auditors / auditors
- Fifth level: other employees.

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

Committees

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

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

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

- **Coordination Committee:** This is a body for coordinating cooperative work under a parallel or coordinated audit exercise. The committee members share views on the audits and agree on the approach to be adopted. They communicate the information necessary for taking decisions to decision-makers at the participating supreme audit institutions and represent the decisions of these responsible persons vis-à-vis the other supreme audit institutions. The members of such committees may be experienced auditors (Fourth level) or higher.

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

- **Steering Committee:** This is a body for monitoring and steering the activities of the audit team in the course of a joint audit. This body takes all decisions about the cooperative audit to the extent that the leaders of the audit are not authorized to take them. At the same time, the representatives keep in contact with their respective supreme audit institutions. It is advisable for member to have the authority to take decisions within their organizations (Third level or higher).

Type of reports

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

- **Joint report (joint audit):** The participating supreme audit institutions draw up a joint report, which includes the findings, conclusions and recommendations developed by the audit and is made available to the respective governing bodies and to national institutions. The report may be drawn up in one or several languages.
- **Joint report (coordinated audit):** The participating supreme audit institutions draw up a joint report – based on national reports, where

applicable. The joint report includes some or all of the findings, conclusions and recommendations represented jointly by the supreme audit institutions. The joint report will be made available to the appropriate parliamentary or governing bodies, and if possible, according to legal framework, to any other stakeholder – supplementary to the national reports where appropriate. The report may be drafted in one or several languages.

- **National audit report (coordinated / concurrent or parallel audit):** The participating supreme audit institutions produce separate national reports. They include the findings, conclusions and recommendations developed by the national audit, supplemented, when possible, by the results of the audits of the other participating supreme audit institutions. The reports may have identical structures or may be similar only in parts. They are made available to the national bodies.

2 Initiation of the audit

2.1 Objective of audit cooperation

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

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

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

Supreme audit institutions have worked together in a variety of ways. They have done so regularly in the form of parallel or coordinated audits, which involves the sharing of information. Joint audit missions have been less frequent; such audits have been carried out by Algeria, Cyprus, Indonesia³, Lithuania, Maldives, Mozambique, Peru, Slovenia and Venezuela.

Cooperation in an audit is usually necessary where a supreme audit institution carries out an audit requiring field work abroad. As a rule,

³ 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.

supreme audit institutions are not entitled to conduct any audit work outside the territory of their country, e.g. at beneficiaries abroad, without the consent of the other country concerned. In some cases, the law authorizes them, subject to specified conditions, to request the assistance of foreign audit institutions.

2.2 Decision on audit cooperation

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

Cooperation among supreme audit institutions is not a waste of time but a need for keeping them effective, since it promotes benchmarking and the development of best practice in all institutions involved⁴. It serves the development and enhancement of general professional knowledge of public-sector auditors. The sharing of lessons learnt, knowledge and methodology in fields of interests of the supreme audit institutions was often mentioned as a motive. Supreme audit institutions wish to review their existing practices and compare them to international good practice and standards. In some cases, this knowledge is needed for an audit exercise already under way. The INTOSAI Working Group on Environmental Auditing has mentioned the following principal objectives:

- to support supreme audit institutions in developing understanding of the specific problems connected with environmental auditing;
- to facilitate exchange of information and experiences in this field;
- to publish methodological Guidelines and other information useful for supreme audit institutions (i.e. recommendations in the scope and methods of environmental audits).⁵

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

Frequently, cooperative audits also refer to programs, in which several countries are involved, e.g. the audit of financial assistance to strengthen the agricultural and regional infrastructure, of donor funds. For example: auditing of the tsunami fund was becoming common interest of many supreme audit institutions due to huge amount of money involved from

⁴ 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.

⁵ Website INTOSAI WGEA: <http://www.environmental-auditing.org/>.

donor countries to tsunami-hit countries. Therefore it is necessary to have a sound report which is transparent and accountable for donors, which usually raised funds from people. For a donor country, however, it was more efficient to involve local auditors in their supreme audit institutions audit so that they gain a better understanding of the real condition of tsunami victims. The audits often address transparency, proper use, reporting on and verification of these programs.

In the case of other issues of an international scale, e.g. customs administration and immigration, money-laundering, human trafficking or multinational defense agreements, audits by an individual supreme audit institution within its national borders do not make much sense.⁶ Thus it is reasonable for SAIs to conduct a cooperative audit.

2.2.1 Selection of topic for the audit

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

2.2.2 Selection of SAIs for the audit

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

- In the case of audits in the field of the environment and environmental funds, the participants are selected from among those countries that belong to given geographic region (e.g. countries adjoining a lake or the sea, forest or national parks) or countries that are parties to a given convention (e.g. Helsinki Convention). In the case of environmental audits, the participation of supreme audit institutions of countries that exert particular influence on the environment is of considerable interest. Concerning audits of aid funds for the relief of natural disasters the supreme audit institutions of both the donor and recipient countries should participate.
- When it comes to auditing certain structures (bridges, motorways), the audit institutions of the countries in which the structure is located will participate in the audit.
- Audits relating to cross-border commercial transactions in certain goods / services and to the connected taxes and custom duties will be conducted in cooperation by the supreme audit institutions of those countries to

⁶ 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.

which these transactions and revenues are of significant concern. The same applies to the cross-border movement of ordinary and hazardous wastes. For those audits, the participants are also usually chosen from the countries concerned.

- Apart from regional factors, cooperation by several supreme audit institutions may make sense, if they or their countries have similar interests. For instance, a cooperative audit might look into the cost-effectiveness of loans that international organisations have granted to individual recipient countries.
- Apart from the former, there is a special interest in the participation of Supreme Audit Institutions of countries that have special expertise owing to already having conducted an audit in the relevant field, have proven experts on their staff or make frequent use of audit methods that are also of interest of other supreme audit institutions. This applies especially to audits that are primarily conducted for training purposes. Another participation option to be considered is the supreme audit institution of a country which (probably) has developed good practice in a given area, although the supreme audit institution concerned has not yet conducted a relevant audit. In this case, a cooperative (parallel) audit which involves the sharing of essential audit findings is an attractive option.

2.2.3 Selection of the suitable type of audit

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

A distinction is usually made between:

- Consultancy: restricted to sharing information;
- Mutual support: the audit is based on audit results developed by another supreme audit institution without duplicating them;
- Harmonization: audits with similar or common audits methodology and approach;
- Joint audit: the audit team is made up of individual auditors from a number of supreme audit institutions. In some countries, there are legal barriers preventing joint audits because there is no legal authority for doing audit work outside the national territory.⁷

While consultancy and mutual support can largely be practiced informally, coordinated and parallel audits (on the basis of harmonization) require thorough preparations and agreements. However, in many cases, the

⁷ 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/anlageic.pdf> Page 90-94

participants have no mutual legal obligations and cooperation is rather based on the principle of good will.⁸

One may distinguish between parallel or (simultaneous) audit, coordinated audit and joint audit (cf. item 1.3 above). These forms of cooperation can often not be clearly set apart (cf. figure 1 below). The degree of cooperation varies along a continuum from parallel audits to joint audits. A decision as to which type of cooperative audit is conducted is not really important as far as the participating Supreme Audit Institutions take the same opinion about all relevant points. Audits that fully meet the description of the concept of “joint audit” are rare and in a number of cases⁹ are subject to special requirements.

Characteristics of Cooperative Audits

Figure 1

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

⁸ 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

⁹ 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)

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 institutions with complete audit reports that are addressed to national bodies (e.g. the Parliament or the Government).
- Where the communication of data has been agreed and is necessary for performing the cooperative audit, it may be possible for personal data to be depersonalized.
- Certain classified data may not be sent via e-mail or by ordinary post without being encrypted.
- The audited body or other stakeholders concerned¹⁰ have a right to be heard before audit findings are forwarded to other bodies – including other supreme audit institutions.
- The cooperating supreme audit institutions may consider agreeing that information will be released to third parties only with the consent of the supreme audit institution from which the data originates (see Standard Audit Agreement, Article 15).

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

In some countries, any retrieval of sensitive data by public authorities is subject to privacy rules. Sensitive data especially include personal data, i.e. data that permit conclusions about the personal circumstances of the citizens or legal entities affected. Especially, communication to other bodies of data collected may encroach upon the right to privacy. Therefore, the data

¹⁰ 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

are usually always depersonalized before passing them on or even publishing them. Where it is impossible to restore personal identification, communicating the data does not interfere with privacy rights.

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

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

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.¹¹

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

¹¹ See INTOSAI, 2007, Throughout All Audit Phases, p. 3

and the drawing up of an audit design outline including the methodology to be used as well as the time schedule¹².

Audit team(s)

Concerning the selection of participating auditors, various approaches may be appropriate depending on the form of audit chosen.

Figure 2

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

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.

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.

¹² 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.

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.

Leading and decision-making bodies

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

Figure 3

<u>Parallel Audit</u>	<u>Joint Audit</u>
<ul style="list-style-type: none"> • Leading the national audit teams will be the responsibility of the national supreme audit institutions • Taking decisions about the national audit will be the responsibility of the national supreme audit institutions • The audits will be coordinated by a joint body (coordination committee) • 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) 	<ul style="list-style-type: none"> • The leader(s) of the audit team will be designated jointly by all participating supreme audit institutions • Decisions about the audit within the scope of authority assigned will be taken by the leader(s) of the audit team • Steering of the audit by a joint body (steering committee) • 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

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.

Preparatory meetings / training events

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

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

Conduct of preliminary (national) studies

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

On this matter, SAIs could identify and exchange the nation-wide significant risks relating to the audit theme and audit objectives of the cooperative audit

The sources of information to identify such risks would include but not limited to the following:

- Budget documents of the auditee;
- Internal guidelines and operating manuals of the auditee;
- Previous audit findings;
- Internal audit reports;
- Discussion with the national governing bodies and key stakeholders;
- Data from the management information system.

Compilation of results of previous (national) audits

Compiling and analyzing the results of previous audits that addressed a similar audit theme is an appropriate preparation for carrying out the joint audit. The findings and recommendations developed by previous audits may indicate potential approaches for the joint audit. However, it is necessary to consider the extent to which the respective national situations lend themselves to an international review.

Audit design outline (including time schedule)

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

Figure 4

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

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

Time table / Action plan

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

Figure 5

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

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.

3.2 Implementation of audit

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 committee¹³.

Monitoring compliance with the timetable and audit progress

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.

¹³ 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.

Figure 6

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

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.

Regular sharing of information / working meetings

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

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.

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.

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.

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

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

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.

3.3 Reporting on the audit

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

Figure 8

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

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

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

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

4 Evaluation and further audit cooperation

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

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

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

4.1 Review of audit performed

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

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

¹⁴ 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>

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

4.2 Ex-post evaluation of audit cooperation

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

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

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

4.3 Continuation of audit cooperation

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

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

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