IDI FOCUS

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News in brief

ISSAI Implementation Initiative (3i Programme)

i. 3i Phase-I ARABOSAI
3i ARABOSAI Product Adaptation Meeting on Compliance Audit Topic
As part of the 3i Programme for the ARABOSAI region, IDI is providing support to SAIs for conducting ISSAI based audits. Based on the consultations with the region and SAIs, the SAIs are being supported for conducting an ISSAI Based Compliance Audit of Procurements. In this regard, a product adaptation meeting on ISSAI based Compliance audits of procurements took place in Khartoum, Sudan from 8 to 18 May 2016. During the meeting, five regional facilitators adapted a two week course material on ISSAI Based Compliance audits

Recruiting Heads of Supreme Audit Institutions: A note on the UK Experience

The way in which the Comptroller and Auditor General is recruited in the UK is partly covered by law and partly by evolving practice. At base the aim is to make the process transparent and bipartisan and to appoint someone with the integrity, managerial skills, reforming passion and professional accounting and auditing background to bring about continued growth and transformation within the National Audit Office.

In terms of context, it is important to bear in mind that in the UK, the C&AG is an independent Officer of the House of Commons appointed for a fixed ten year term by Her Majesty the Queen upon an address to Parliament by the Prime Minster and seconded by the Chair of the Committee of Public Accounts (PAC) – by convention a senior figure from the leading opposition party. The C&AG may be removed only by Her Majesty the Queen on an address of both Houses of Parliament. This fully ensures his or her independence from the executive branch of government. There are also restrictions on the appointment of a former C&AG to certain roles for two years after the end of their employment. The C&AG's pay is determined at the time of his appointment. It is agreed by the Prime Minister and the Chair of the PAC. It may include a pension, but no element of it is to be performance based. It is paid from the Consolidated Fund. Sections 11-19 of the Budget Responsibility and National Audit Act 2011 provide more details. The Act also makes provision for certain restrictions on the type of person who may be appointed, prohibiting any member of the House of Lords from serving as C&AG, and requiring that the C&AG does not hold any other post to which a person may be appointed, or recommended for appointment, by or on behalf of the Crown.

The process for recruiting the most recent C&AG was the most open to date. The post was advertised in the Financial Times and applicants were provided with a pack providing information on the selection process. The process was managed by a selection panel which comprised the Chairman of the Public Accounts Committee, a Treasury Permanent Secretary, the retiring C&AG and chairman of the NAO Board. The recommendation of the panel was accepted by the Prime Minister who announced the appointment. At the same time, the PAC Chair put out a press release welcoming the Prime Minister's approval of Mr Morse – who came from the private sector, but with recent high level experience in the public sector.

of procurements based on an existing course developed for PASAI. Three facilitators for the programme from Iraq, Morocco and Bahrain were selected from among the participants in the ISSAI Certification Programmes (Compliance Audit)

ii. 3i Phase-I CREFIAF iCAT review workshop for Compliance Audit & Financial Audit and Workshop on facilitating ISSAI Implementation

The abovementioned workshops were held in Yaoundé, Cameroon from 20 June to 1 July 2016. A resource team of four experts from Cameroon, DR Congo, Gabon and Senegal reviewed iCATs (ISSAI Compliance Assessment Tools) conducted by 17 SAIs during the iCAT review workshop for Compliance Audit. 30 participants from 17 SAIs participated in this workshop. SAI teams also developed the first draft of their ISSAI Implementation Strategy based on the iCATs. SAIs are expected to modify iCATs and further develop ISSAI implementation strategies in Compliance Audit. At the Workshop on facilitating ISSAI implementation, participants of the ISSAI certification programme on compliance audit learned and practiced their roles as ISSAI advocates, ISSAI project managers and ISSAI learning facilitators. Parallel workshops for iCAT review and facilitating ISSAI implementation were conducted for Financial Audit by four experts from Burundi, Cameroon and Senegal, in which 28

The PAC then convened a hearing to ask Mr Morse about his experience and suitability for the post of C&AG and about his plans for the NAO. Although such a hearing with the PAC played no part in the statutory process, the Committee considered that the formal debate in the parliament would be informed by such a hearing.

The next formal step was for the Prime Minister to table a motion, supported by the PAC Chair, in the House of Commons asking the Queen to appoint Mr Morse.

With the endorsement of the decision by Parliament, the formal appointment was made by HM the Queen by Letters Patent - letters patent are a type of legal instrument in the form of a published written order issued by a monarch, president, or other head of state, generally granting an office, right, monopoly, title, or status to a person or corporation.

Governance and Supreme Audit Institutions: Reflections from the UK National Audit Office

David Goldsworthy
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National Audit Office

Introduction:

1. Good governance lies at the heart of the mandate of Supreme Audit Institutions (SAIs) to hold public agencies to account for the way in which they use public resources and for recommending improvements. The key role played by SAIs in good governance is increasingly recognised by global institutions including the UN who see the International Organisation of Supreme Audit Institutions (INTOSAI) as a key partner in helping achieve the UN Sustainable Development Goals which were approved in October 2015. A key goal for the SAI community is Goal 16 and in particular 16.6 to 'Develop effective, accountable and transparent institutions at all levels '

2. If SAIs are to hold others accountable for their transparency, openness and good governance, SAIs need to be beyond reproach and aspire to be exemplary public sector bodies. If they fail to live up to the high standards of stewardship they demand of others their reputation and credibility will suffer.

3. The INTOSAI community recognises this challenge and in the Congress in South Africa in 2010 ratified 12 principles describing the Values and Benefits of SAIs; principle 9 of which set out what SAIs need to do to ensure their own good governance.

PRINCIPLE 9: Ensuring good governance of SAIs

• SAIs should adopt and comply with good governance principles and report appropriately thereon.

• SAIs should periodically submit their performance to independent review, for example peer review.

• SAIs should have an appropriate organisational management and support structure that will give effect to good governance processes and support sound internal control and management practices.

• SAIs should assess organisational risk on a regular basis and supplement this with appropriately implemented and regularly

participants from 14 SAIs participated.

Teams from SAI Guinea consisting of five participants , were supported in implementing ISSAI based performance audit and compliance audit through a separate intervention as they had missed the 3i programme, due to Ebola outbreak.

iii. 3i Phase-II

In light of heavy demand for support in implementing ISSAIs the IDI launched ISSAI Implementation Initiative – Phase II. The programme continues to aim at helping SAIs in becoming ISSAI complaint. To this end the IDI will in this phase – maintain 3i products, move from participation to competency based certification, provide ISSAI implementation support at SAI level, focus on quality assurance and continue with 3i cooperative audits and 3i community portal.

Image (Please click to amplify) : 3i Phase-II Results Framework

a. Product Update Meeting Performance Audit

Resource persons from SAI Bhutan, SAI Brazil, SAI Bangladesh, CCAF, SAI Indonesia, SAI Sweden and the IDI met in Norway from 20 to 24 June 2016 to discuss and carry out the updating of the 3i products related to performance audit. Besides aligning the products to endorsement

monitored risk management initiatives, for example through an appropriately objective internal audit function.

4. This paper looks at that principle and describes how the UK National Audit Office (NAO) seeks to comply with it (see Annex A for a diagrammatic representation of the NAO's governance structures.

5. The paper aims to facilitate wider discussion in the SAI community about what good governance looks like in the context of managing modern SAIs. The paper describes how in the NAO good governance has evolved, and continues to evolve. It is context specific and what we are doing will not necessarily be applicable or have direct relevance to SAIs operating in radically different situations and working with differing audit models. However, what we hope this paper will help do is to stimulate debate and reflection - within individual SAIs in terms of whether there are aspects of good governance which their SAIs need to develop and with external partners in terms of what they might expect from SAIs. We know that our reputations are built on the rigour of the reports we publish and we have rigorous systems in place to assure the quality of our audit reports but equally if we are found wanting in the way we govern our organisations our reputations and credibility will suffer.

What do we mean by good governance?

6. For us in the NAO, good governance is the systems, actions and attitudes by which the NAO is managed and controlled and which ensure that we are delivering our mandate efficiently and effectively and with due regard to the proper conduct of public business; this enables the Office to demonstrate to Parliament, those we audit and the public that we practise what we preach. But more than that we believe that good governance is about ethical values which must permeate the entire operations of the organisation from top to bottom.

Why is good governance important for SAIs?

7. SAIs, through such vehicles as the 2007 INTOSAI Mexico declaration and more recently through a series of UN and Commonwealth Heads of Government resolutions, have stated very clearly that they need to be independent in order to carry out their external public audit role and to provide real benefits for citizens. To lay claim to that independence, they need to be able to demonstrate that they are capable of producing high quality audits which add value and help improve the ways in which the public sector manages its resources. They also need to demonstrate that they can be trusted with managing their own resources efficiently and effectively and are able to show a sceptical public, media and parliament that they are doing so.

8. The International Standards of Supreme Audit Institutions, ISSAI 12, on Values and Benefits states that SAIs need to practise what they preach. So, if SAIs are encouraging the organisations they audit to have sound systems in place for managing funds and achieving value for money, then SAIs need to ensure that they have effective internal audit, know the costs of their operations, can demonstrate their effectiveness and impacts, and listen regularly to feedback from their key external partners. Through the UN and the work of many leading international civil society organisations, there is a growing focus on openness and transparency – things which should be key maxims of SAIs – but equally a continual challenge for SAIs to demonstrate their compliance and leadership.

9. The push to demonstrate careful stewardship of a SAI's resources

versions of level 4 PA ISSAIs, the team deliberated on equity questions including gender considerations to be included in the updated version of the ISSAI Implementation Handbook for PA. The PA iCAT will also be updated and repositioned as a QA tool.

b. Product Update Meeting Compliance Audit

The meeting was held from 4-8 July 2016 in Oslo, Norway. A resource team from ECA, SAI Maldives and IDI worked on updating the ISSAI Implementation Handbook on Compliance Audit while considering the lessons learned from Phase-I of the 3i Programme and the new ISSAI 4000.

c. 3i Phase II pilot in SAI Bhutan

As per the work plan for 3i Phase II pilot, resource team from IDI and mentor team from SAI Bhutan designed and delivered two week ISSAI Implementation workshops on Financial, Performance and Compliance Audit for sixty officials from SAI Bhutan at NOIDA, India from 18 July to 8 August 2016. The workshops kicked off an SAI level ISSAI implementation process for SAI Bhutan, with detailed discussions and hands on practice on mapping current audit practices, conducting iCATs, formulating ISSAI implementation strategy for the SAI and revising audit methodology. The workshop also included discussions on change management and organizational changes required to implement ISSAIs. These workshops

has also become more necessary following the financial crisis of recent years. If across the public sector budgets are being cut and jobs lost, then it beholds SAIs to be constantly reviewing their own actions to make sure they are driving out waste and inefficiency and can justify their use of public funds.

What is good governance in SAIs?

Ethical conduct

10. This paper will focus particularly on how SAIs are managed and the ways in which best public sector principles of accountability, transparency, openness, economy, efficiency, effectiveness, and equity are operationalized. However, underpinning all this should be commitment by a SAI to a set of ethical values about what is the proper conduct of public business. SAIs need to not only be doing the right thing but also be seen to be doing the right thing. And these values need to be promoted by the most senior people in an organisation. If the SAI leadership do not practice the values then staff are unlikely to take the values seriously.

11. The NAO's values set out the aspirations for the organisation and underpin our work and the way that we behave. We want all staff to demonstrate their adherence to these values in everything that they do:

Independent

We are independent and objective, and observe the highest professional and personal standards.

Authoritative

We deliver work of the highest quality, drawing comprehensively on robust evidence and practice.

Collaborative

We work collaboratively with colleagues, and with stakeholders, to achieve our goals.

Fair

Our work, and the way that we treat people, is fair and just.

12. All NAO staff sign a statement acknowledging that they will abide by the NAO's code of conduct and recognising that they have an obligation to declare any potential conflicts of interest, including shareholdings and personal relationships with clients and suppliers. This code of conduct reinforces the core values and standards that underpin the NAO's work, and provides a reference point for decisions and courses of action in carrying out our statutory and professional responsibilities. It includes references to issues around handling data and information, political activities, receipt of gifts and hospitality, travel and accommodation, personal conduct, and additional paid employment. The code of conduct sets out the overall framework of professional and ethical behaviour, and is supported by detailed policy statements available on the NAO's intranet. Compliance with the code is part of the annual staff appraisal systems and failure to operate within the terms of the code may be treated as a disciplinary matter under the managing misconduct procedures set out in the NAO's Human Resource Manual. In addition, prior to commencing any financial or vfm audit, staff are required to give more specific consideration to potential conflicts of interest which have to be reported to the assignment director.

13. The NAO also subscribes to the professional and ethical standards set by the UK Financial Reporting Council, the International Federation of Accountants, and the INTOSAI Code of Ethics for Auditors in the

will be followed by support at SAI level in implementing ISSAIs. As per the agreement between the IDI and SAI Bhutan, the costs of this workshops is covered by SAI Bhutan from the donor funding that they have received for ISSAI Implementation.

Support to INTOSAI Regions, Networks and Communities

Image(Please click to amplify): Participants at the IDI-PASAI Meeting

IDI-PASAI Meeting with SAI Management & key stakeholders
SAI Heads and senior management from 19 SAIs in PASAI met in Auckland, New Zealand from 15-17 June 2016 to discuss IDI Portfolio of eight Programmes; SAI experiences; initiatives and challenges; and identify SAI's priorities. Representatives from the PASAI Secretariat, Pacific Island Centre for Public Administration (PICPA), Department of Foreign Affairs and Trade Australia, World Bank, PFTAC (regional unit of IMF) attended among the stakeholders. IDI and PASAI Secretariat also took this opportunity to strengthen their cooperation and agree on a MOU between the two organisations.

Enhancing eLearning Capacity

Public Sector. In addition, NAO staff are subject to the codes of ethics of their professional institutes.

14. The importance of practising good governance and high standards of ethics are emphasised through training and development programmes at all levels of the business, including when new staff join the NAO but also at various stages through people's careers as they are promoted.

Accountability

The NAO's legislative framework

15. Well governed organisations have clearly articulated internal and external accountabilities, a common sense of purpose and clear structures for taking decisions and then following up to ensure these decisions are acted upon.

16. The NAO scrutinises public spending on behalf of Parliament. The audit and inspection rights are vested in the head of the Office, the Comptroller and Auditor General (C&AG). The staff of the NAO carry out these tasks on his behalf and both the C&AG and his staff are totally independent of government. They are not civil servants and do not report to any government minister.

17. The National Audit Act 1983 provided specific power to allow the C&AG to report to Parliament at his own discretion on the value for money achieved by government departments. The Act also established the Public Accounts Commission (TPAC) to oversee the work of the NAO. TPAC receives the NAO's Annual Report and Accounts as well as the Corporate Strategy and Business Plan, approves the NAO's budget and appoints the NAO's external auditor. In 2007, TPAC commissioned a review of corporate governance at the NAO to ensure that these conformed to best practice. As a result the Budget Responsibility and National Audit Act 2011 (BRANA) established the NAO as a corporate body led by a Board.

18. In scrutinising the NAO's performance and reviewing its budget request TPAC seeks additional advice and input – including from the HM Treasury, the UK Ministry of Finance. While the NAO does not have to follow this advice it does seek to be mindful of the prevailing state of the overall public finances. The results of this hearing are published on the parliamentary website:www.parliament.uk/business/committees/committees-a-z/other-committees/public-accounts-commission/publications/?type=&session=26&sort=false&inquiry=all.

19. TPAC appoints a private sector firm to audit the NAO's Annual Accounts. The audit opinion is attached to the Annual Report and Account and the audit findings discussed with the Board's Audit committee, and where appropriate the Board. The NAO's external auditor is also tasked by TPAC to carry out a value for money audit of an aspect of the NAO's work each year. The subjects for these reviews are chosen by the NAO Board. In recent years, the external auditor has been asked to examine: the NAO's management information; the Transformation Programme; and the NAO's Human Resources processes.

20. The C&AG is an independent Officer of the House of Commons appointed for a fixed ten year term by Her Majesty the Queen upon an address to Parliament by the Prime Minster and seconded by the Chair of the Committee of Public Accounts (PAC) – by convention a senior figure from the leading opposition party. The C&AG may be removed

Image(Please click to amplify): Resource Persons at the Product Development Meeting

Global Product Development Meeting for Enhancing eLearning Capacity programme
A resource team from the IDI, SAI Indonesia, SAI Philippines and SAI Thailand met in Oslo , Norway from 20 June to 1 July 2016 to agree on the final version of the eLearning handbook, design and develop a programme for LMS Administrators of ASOSAI, agree on a competency framework for eLearning specialists and design and develop a certification programme for eLearning specialists of ASOSAI.

SAI Fighting Corruption Programme

Image(Please click to amplify): Resource Persons at Product Development Meeting

Global Background Research Project
A resource team from Cameroon, Hungary, Thailand, Zambia and the IDI worked on the Research Project for collecting background

only by Her Majesty the Queen on an address of both Houses of Parliament. This fully ensures his independence from the executive branch of government. There are also restrictions on the appointment of a former C&AG to certain roles for two years after the end of their employment. The C&AG's pay is determined at the time of his appointment. It is agreed by the Prime Minister and the Chair of the PAC. It may include a pension, but no element of it is to be performance based. It is paid from the Consolidated Fund.

21. The non-executive Chair of the Board is appointed by the Queen, under a similar process to that used to appoint the C&AG. The Chair and other non-executive members serve for a fixed term up to three years, renewable for one further term. TPAC is responsible for the appointment of the NAO's non-executive Board members (excluding the Chair) on the recommendation of the Chair. The executive Board members are appointed annually by the non-executive Board members upon the recommendation of the C&AG.

Role of the Board

22. The NAO Board is comprised of 9 members: 5 non-Executives and 4 executive members (including the C&AG). They have collective responsibility for agreeing the NAO strategy and targets, approving the budget requests to parliament, and monitoring progress against that strategy. In addition, the Board supports and advises the C&AG, who retains his independence in terms of his statutory functions and his audit judgements, in the fulfilment of his role. The relationship between the Board and the C&AG is set out in an agreed Code of Practice which is published on the NAO website. To enhance their understanding of the organisation, the non-executive members of the Board, hold regular events when staff can make appointments to discuss their work with Board members.

23. The C&AG's professional independence is core to this process. The decision as to what to audit, how to audit, what audit opinion to issue, and how and when to report are his. However, the Board's role is to make sure that he uses the resources at his disposal well and to approve all non-statutory activities. A key aspect of the effectiveness of the Board is its ability to offer constructive challenge to the C&AG and to hold him to account for his management of the NAO's resources. This challenge is particularly important when public resources are under pressure and there may be a need for the NAO to make tough budgetary decisions.

24. The Board is also responsible for the organisational risk assessment. For each of the business risk identified by the Board, the NAO has set a risk tolerance and put in place systems for managing these risks. The systems are not designed to eliminate all risk but to strike a balance between control, cost of control and appropriate risk taking. For example, the NAO's tolerance of risk in areas of professional audit judgement, regularity and propriety is low. In other areas, for example, change management, we are prepared to accept more risk in order to take advantage of opportunities to pursue our objectives. Six areas of operational and strategic risk are reviewed monthly and included as a standing item on the Board's meeting agenda.

25. The Board voluntarily applies the provisions of the UK government code of good practice for corporate governance in central government – reporting against it each year highlighting those areas where the

information from SAIs to contribute to the development of guidance for the two components of the SAI Fighting Corruption Programme-Audit of Institutional Framework for Fighting Corruption and SAI Leading by Example-Implementation of ISSAI 30. The research took place during June-July 2016 and involved responses from 28 SAIs from different INTOSAI regions.

Product Development Meeting-SAI Fighting Corruption

The resource team involved in the research project met in Oslo, Norway from 8-19 August 2016 to develop the guidance for audit of institutional framework for fighting corruption and SAIs implementing ISSAI 30. Besides being published as a global public good, this guidance will form the basis of the support provided to SAIs in conducting such audits and assessing implementation of ISSAI 30.

SAI Engaging with Stakeholders

Global Research Project

A team of resource persons from Cameroon, Costa Rica, Philippines, South Africa and the IDI conducted research on SAIs' stakeholder engagement practices and mechanisms during May 2016. This research will be used to develop a guidance on stakeholder engagement for SAIs and support to the SAIs in enhancing their engagement with stakeholders. The team will work on the guidance

NAO's statutory position requires alternative arrangements www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments. The C&AG, as the NAO's Accounting Officer, produces an annual governance statement as part of the Annual Report and Accounts. This statement describes the controls operating in the NAO and the work of the Board and provides assurance that he is satisfied that there are no significant weaknesses in the NAO's systems of internal controls that affect the achievement of the NAO's key policies, aims and objectives.

26. The Board has created the following committees. Both committees draw their membership from the non-executive members of the Board:
• an audit committee to agree the programme of internal audits, receive the reports from internal and external audit, respond to these audits and ensure that agreed recommendations are implemented, review internal controls, review risk management processes, review governance arrangements of the NAO, and review the quality and reliability of financial reporting; and
• a remuneration & nominations committee which is responsible for the remuneration of the three executive members of the Board other than the C&AG, advising the C&AG and Chair on succession planning and appointments to the Leadership Team and Board, and overseeing major changes in NAO employee benefits.

27. One of the keys to effective governance is the provision of timely and accurate information. The Board and Leadership Team (and their committees) receive dedicated secretariat support from the NAO's governance team. This governance team:
• supports the administration of the governance structures;
• ensures strategic alignment between the governance structures and the rest of the NAO;
• provides an interface between the Board and the NAO; and
• provides independent advice to non-executives.

28. The performance of the Board and its committees against Board objectives is assessed on an annual basis, supported by the governance team. In exercising its stewardship the Board is mindful of developments across the public sector and in particular best practices in managing public money. During the review process it is important that the Board addresses in as open and honest a way as possible how it has contributed to the success of the office, how it has added value to the work, whether it is working effectively as a body able to challenge constructively the C&AG and the senior management team, and whether it has the right sets of skills as the work of the NAO shifts and develops. For example, as the NAO's has started to play a more significant role in looking at regional and local issues, it has been necessary to recruit a Board member with this expertise.

Managing the NAO

29. The NAO has a three year Strategy and an annual Business Plan. While these planning activities are participative, with staff actively involved in identification of future audit work and other NAO activities, once the plans are approved by the Board and the budgets allocated, then staff are expected to implement these agreed plans and their performance is monitored against agreed deliveries and agreed budgets. The NAO's leadership team sets clear expectations of their own accountability and that of their directors through annually agreed objectives and close monitoring.

for SAIs engaging with Stakeholder 15-26 August 2016 in Oslo, Norway.

Auditing Sustainable Development Goals (SDGs)

Guidance Development Meeting
A resource team from INTOSAI KSC Chair (India), INTOSAI Working Group on Environment Audit Chair (Indonesia), PASAI Secretariat, Brazil, UAE, USA, UNDESA and the IDI met at UN Headquarters in New York from 27-29 July 2016 to agree on the focus and structure of a guidance on auditing preparedness for implementation of SDGs. The team agreed to take a whole of government approach and focus attention on two goals (Goal 16 and Goal 5),which are a part of the HLPF 2019 theme ' Empowering people' . The guidance will be discussed as a part of theme I during INCOSAI 2016.

INTOSAI-Donor Cooperation

The INTOSAI-Donor Steering Committee Leadership teleconference took place on 13 July 2016. Discussions were held regarding the Global Call for Proposals, SAI Capacity Development Database, Communication Strategy and Results Framework for the Cooperation. The resource position for the Cooperation was also reviewed.

30. To manage the day by day operations, the NAO's leadership team – comprising the C&AG, the executive members of the Board, plus three other senior managers - has established three management committees:
• Audit Practice Quality Committee to review the comprehensiveness, reliability and integrity of the framework supporting the quality of the NAO's audit work;
• Operational Capability Committee to support the leadership team in delivering appropriate resources and support the NAO in achieving its business objectives; and
• Change Management and Assurance Committee to provide oversight of the change portfolio and advise the Leadership Team on progress, risks and priorities.
Role of internal audit
31. Where there are corporate policies, once these are agreed, staff are expected to comply and failure to do so can resort in disciplinary procedures being initiated. One of the roles of internal audit is to test the extent of staff compliance with agreed policies. The C&AG's annual review of the effectiveness of the system of internal control is informed by the work of the Director of Internal Audit and Assurance (DIAA), the Executive Leaders within the NAO who have responsibility for the development and maintenance of the internal control framework, comments made by the external auditors in their management letter and other reports.
32. The Director of Internal Audit and Assurance has regular progress meetings with the C&AG which include reporting on progress against the internal audit plan and highlighting emerging issues. The DIAA presents his Internal Audit Annual Report which contains commentary on the work completed, each assignment and its opinion concluding with an overall annual opinion. The Report's annual opinion is in a format consistent with internal audit standards and states whether the NAO has adequate and effective governance, risk, and control arrangements. The DIAA arrives at his opinion through:
• conducting a detailed risk based Internal Audit Needs Assessment from which he prioritises activity over a three year planning horizon to design an Internal Audit Strategy;
• designing and applying a risk based methodology which is consistent with the requirements of the Public Sector Internal Audit Standards;
• during 2014-15, delivering 21 individual assurance reports and 6 advisory reports and where appropriate agreeing an action plan with system owners to secure improvements;
• monitoring the implementation of his recommendations throughout the year and assessing progress;
• confirming that the resources made available to him have been sufficient to complete his operational plan on time and maintain his independence; and
• producing a balanced score card based upon the level of assurance for each assignment and its relative risk assessment which frames his annual opinion.
33. Through out the year the DDIA reports progress to each of the 5 Audit Committee meetings including detailed assignment reports, and at the year end provides the Committee with an Internal Audit Annual Report. In February of each year he presents his refreshed Internal Audit Strategic Plan and Operational plan for the year ahead. The

Stakeholder communication through IDI's participation in meetings

The IDI engaged with its stakeholders by participating in several meetings organized by its stakeholders.
On 5-7 July 2016, the IDI participated in the annual meeting of the INTOSAI Working Group on Public Debt (WGPD) held in Beijing China. The members of the WGPD were updated on the progress of the Auditing Lending and Borrowing Frameworks Programme and future cooperation for the programme was discussed.
IDI met with World Bank representatives on 19 July 2016 to discuss the role of SAIs in implementation of SDGs and IDI's new programme portfolio.
On 20 July 2016, the IDI participated in a High-Level Roundtable Discussion - "The contribution of Supreme Audit Institutions to ensuring that no one is left behind in the implementation of the SDGs" at the INTOSAI Side Event, High Level Political Forum at UN.
An IDI team participated in the second meeting on INTOSAI statutes, meeting of the INTOSAI Policy, Finance and Administration Committee (PFAC) and meeting of INTOSAI Committee on Emerging Issues in Washington DC on 21-22 July 2016.
IDI met with UNDP, UNDESA, UN OIOS, UN Women and UNODC on 25 and 26 July 2016 for discussions on wide ranging cooperation,

DDIA is responsible for quality control and his performance is monitored annually by the Audit Committee. In support of this he conducts an annual self assessment of compliance with the Public Sector Internal Audit Standards and monitors the impact of internal audit though satisfaction surveys with both auditees after each assignment and periodically with the non –executives. The results of the opinion work and quality assessments contribute to the Audit Committee's own annual report to the Board.

34. Delegations are in place so that it is clear to managers across the NAO what levels of expenditure they can approve – with the highest levels of expenditure needing to be referred to the Board for approval. Transparency

35. The NAO operates on the principle that as much as possible of its work will be placed in the public domain. The NAO website www.nao.org.uk includes all NAO reports and other publications, the forward programme of audits and a range of other materials which it is hoped will interest citizens, public servants and parliamentarians. The website also contains full information on the NAO's mandate, responsibilities, mission and strategy. Increasingly also the NAO uses a wide range of social media to provide alerts to subscribers when new work is produced. The NAO adopts a co-operative and helpful attitude when working with the media, while at the same time working to promote and protect the organisation.

36. The NAO's Annual Report and Accounts contains a narrative section showing what we have achieved in the preceding year and the annual accounts with the audit opinion provided by our external audit. The Report also contains evidence of feedback from clients and key stakeholders, lists key financial impacts and client or partner feedback. It also shows the total remuneration packages of senior staff including the value of their pensions.

37. The NAO makes a voluntary disclosure of all travel and subsistence claimed by Board and Leadership Team members, and details of all hospitality provided and received and these are also shown on the external website. A list of payments to suppliers where the payment is £500 or over is published on our website and we publish sustainability data in our Annual Report and Accounts.

38. The NAO has its own whistle- blowing policy to guide staff in raising public interest concerns regarding the NAO's own operations; there are separate policies for dealing with other concerns and personal grievances. Concerns can be raised with the Directors of Human Resource or Internal Audit and Assurance, or the NAO's head of Legal. Alternatively, should the concerns be of a particularly serious nature, or concern the C&AG, staff can contact the NAO's Senior Independent Board Member who will investigate. Staff are encouraged to raise concerns in person, but the policy does allow for concerns to be raised anonymously. The policy sets out the process by which all concerns will be investigated, and provides staff with details of organizations outside the NAO who can provide support and advice.

39. Borrowing from good practice in the private sector, the NAO produces an annual transparency report which provides considerable detail on how the NAO maintains quality - http://www.nao.org.uk/about-us/wp-content/uploads/sites/12/2013/02/NAO_transparency_report_2014.pdf Openness

including cooperation for Auditing SDGs programme.

The IDI also attended the 10th CAROSAI Congress in Paramaribo Suriname from 30 May to 2 June 2016 and the 19th PASAI Congress in Pohnpei, Micronesia from 2-5 August 2016.

Acronyms

ASOSAI: Asian Organisation of Supreme Audit Institutions

AFROSAI-E: African Organisation of English Speaking Supreme Audit Institutions

CAROSAI: Caribbean Organization of Supreme Audit Institutions

CA: Compliance Audit

CAS: Compliance audit Sub-Committee

CBC: INTOSAI Capacity Building Committee

CREFIAF: African Organisation of Francophone Supreme Audit Institutions

EUROSAI: European Organisation of Supreme Audit Institutions

FA: Financial Audit

FAS: Financial Audit Sub Committee

iCATs: ISSAI Compliance Assessment Tools

IDI: INTOSAI Development Initiative

IFAD: INternational Fund for Agriculture Development

INTOSAI: International Organisation of Supreme Audit Institutions

40. Internally the NAO uses a wide range of strategies so that staff understand key decisions being made by the Board and senior managers. Board minutes are published externally, and a note of the meetings of the Board and the executive Leadership Team are published to all staff. Senior management use a wide variety of formal and informal, written and oral methods to reach staff and encourage staff participation and feedback.

41. Externally the NAO maintains close links with all key stakeholders. The C&AG and other members of the Leadership Team meet regularly with the heads of public services – both on a one to one basis and as a whole. Parliament, especially the Committee of Public Accounts, is consulted on our forward programme and invited to help us shape up and identify future audit activities. Citizens and civil society organisations are involved in our studies – at times as members of study reference panels and more regularly as participants in focus groups or by responding to questionnaires. All key stakeholder groups are regularly surveyed to assess levels of satisfaction with the work of the NAO.

42. Members of the public write to the NAO with their concerns and these are dealt with promptly and fully – with some of these concerns finding their way into full NAO VFM or performance audit reports. We are governed by the UK Freedom of Information Act (2000) and respond constructively to all requests for information. In doing so we seek to be transparent and our default position is to disclose the information we have except where the information is covered by one of the exemptions. The exemptions include personal information under the Data Protection Act and information which if disclosed would undermine the efficient operation of the audit process (under section 33 of the FOI Act) although this may be outweighed by the public interest in disclosing the information.

43. The NAO aims to reinforce its reputation as an independent and impartial parliamentary body by working closely with the media, and highlighting how the NAO scrutinises public spending for Parliament.

44. Openness needs of course to be tempered with a commitment to information security. NAO has privileged and wide-ranging access to data, including personal and other sensitive data, to enable it to undertake its audit work. The NAO has a duty to respect this privileged access and to ensure that the data entrusted to it is safeguarded properly. The UK Cabinet Office's Security Policy Framework (SPF) sets out the measures which UK government bodies should have in place when handling personal and sensitive data, and the NAO has opted to comply with the SPF. The measures which the NAO have in place include: encrypted laptops and memory sticks; a clear desk policy whereby all IT equipment and papers are locked away at the end of the working day; a network of Information Asset Owners who are responsible for ensuring that the NAO's data security policies and procedures are followed; and annual staff training covering data security. We publish a Statement of information risk acknowledging our duty to respect our privileged and wide ranging access to data and information in our Annual Report and Accounts.

Economy

45. The NAO is clear that it needs to be parsimonious with public resources. Staff are paid well – with salaries slightly higher than prevailing rates in government recognising that their skills are in high

demand and if we get the pay rates wrong we will lose too many staff. Starting salaries for graduates are comparable with those paid by the private sector and as staff progress we also consider the market rate for qualified accountants. At the same time we are mindful that working in the NAO brings non financial benefits- not least of which is the capacity to play a constructive role in improving the management of government.

46. Staff are expected to recognise the privileged position they hold and to be careful to ensure that all expenditure is carefully scrutinised and reasonable. NAO staff, including the C&AG and other members of the leadership team, are expected to travel economy class on planes and trains, and expense claims for hotels and other costs are in line with government wide figures agreed with Her Majesty's Revenue and Customs.

47. We have also sought to increase our income generating capabilities. By moving to open plan seating and doing away with offices, with even the C&AG not having his own office, we have released nearly a third of our building and now rent that out to other clients. Even on evenings and weekends we have found ways of raising revenue by renting out training rooms and other parts of our main office – of course ensuring that the core NAO parts of the building are secure and confidential information safe.

48. Expenditure should be targeted at what is needed to do the job and not wasted on luxuries which others might challenge as unnecessary and out of step with community expectations. Staff are expected to be familiar with NAO internal policies on hospitality and on travel.

49. Hospitality, for example, is kept to a minimum. Not only are staff not meant to receive hospitality but increasingly also the NAO is unable to offer hospitality to external visitors. If staff receive hospitality or other gifts these need to be declared on a public register and all but the smallest gifts handed over to become the property of the NAO.

50. Similarly, the NAO travel policy seeks to ensure that expenditure is carefully managed For example, NAO participation in international meetings is carefully managed. For most meetings the NAO will only send one person unless the NAO is chairing a meeting in which case the NAO may consider sending two people and economy flights are the norm – even on long haul flights. Increasingly the default position is to use tele-conferencing and video-conferencing.

Efficiency

51. The NAO has an effective system for costing all audits and other jobs so staff are allocated budgets for individual audits and held accountable for managing these jobs against their budgets. There is constant downward pressure on budgets and attempts to deliver more with less. Over the past five years:

• we have reduced the overall costs of the NAO by 23% in real terms since 2010-11, despite taking on new responsibilities for local government audit;

• the average cost of a performance audit has fallen from £233,000 in 2010-11 to £178,000 in 2014-15, and 8 in 10 are produced in 9 months or less; and

• we continue to meet our target to ensure that are back-office business support services account for no more than 20% of our costs.

52. These efficiency issues are being implemented with no evident reduction in the effective coverage of UK public expenditure and

revenue, nor evident reduction in the quality of our work or the satisfaction of clients.

Effectiveness

53. The NAO has a strong focus on effectiveness. At the highest level, the organisation seeks to generate savings of well over ten times its overall budget – and these claims are independently verified by the NAO's external auditor. However, the NAO takes a broader approach to effectiveness – closely following up on audit recommendations which are recorded in both our own reports and the reports produced by the Committee of Public Accounts.

54. We also ensure that our work is subjected to external peer review. The Audit Quality Review team of the Financial Review Committee, a joint monitoring unit of the major professional accounting bodies, annually reviews our whole-office procedures and a selection of audit files. In addition, the NAO's compliance and quality unit seeks annual feedback from all audited bodies on the audit's performance.

55. For 20 years we have used external specialists to review VFM reports. In 2013-14, a sample of our reports was reviewed by independent experts from Oxford University, Said Business School (trading as ISIS innovation), Risk Solutions/Cass Business School and RAND Europe. The results of these reviews are then disseminated across the NAO and training provided to staff where generic issues are identified.

Equity

56. Increasingly good governance also involves ensuring that an organisation can demonstrate in all its processes that it is seeking to treat people fairly and equally.

57. The NAO recognises that to be a professional organisation it needs to recruit high calibre staff and reward them appropriately. The processes used to recruit staff at all levels are transparent and open – even the post of Comptroller and Auditor General, Chairman of the Board and non-Executive Member of the Board are all filled after an open recruitment process. Staff are recruited to the NAO via public recruitment processes and then put through a rigorous process of interview and assessments. Once in the organisation they serve a probationary period and if they perform are offered a permanent position. Promotions are advertised internally, and at times externally, and again a transparent and fair process operates. Promotion is based on merit not longevity and there are many strategies in place to ensure that the process is open to all regardless of gender, sexual orientation, ethnicity, or religion.

58. Bullying or harassment in the workplace is taken seriously with training programmes, coaching and mentoring to develop an inclusive approach to management which recognises the dignity of all members of staff. At the same time, the NAO is a performance focused organisation and staff who fail to perform after receiving advice and support are asked to leave.

Do we get it right?

59. Good governance is not an end state but something all organisations need to keep under close scrutiny. There are always ways we can improve but we do think we have moved a long way in recent years.

60. There are no doubt other ways to deliver good governance in SAIs. This paper has shown how the NAO seeks to achieve this. Other SAIs,

particularly those operating as Courts of Audit, will have developed other approaches and other ways of responding to the challenge of being leading public sector organisations.

61. We hope this paper will be both a challenge to the SAI sector globally but also that it will elicit other responses so that from each others experiences we can all learn to govern our organisations better.

Forthcoming Events

Support for Strengthening INTOSAI Regions, Networks and Communities
• August 31- September 2, 2016: IDI Workshop with INTOSAI Regions, Oslo Norway
3i Programme
• September 18-29: 3i ARABOSAI Workshop on CA Topic, Jordan
• October- December 2016: 3i ARABOSAI E-Facilitation of CA Audit Plan Development, Online
• October 3-7, 2016: 3i Phase II product Update Meeting Financial Audit, Oslo Norway
• November 4-11, 2016: 3i OLACEFS Audit Review Meeting Cooperative Performance Audit on Poverty Alleviation, Costa Rica
SAI Young Leaders Programme
• September 19-24, 2016: Design and Development Meeting and Online Selectin Process
Audit of Externally Aided Projects in Agricultural and Food Security Sector
• September 14-16, 2016: AFROSAI-E Audit Review and Support visits to 3 SAIs, Malawi
• September 14-16, 2016: AFROSAI-E Audit Review and Support visits to 3 SAIs, Rwanda
• November 21-23, 2016: AFROSAI-E Audit Review and Support visits to 3 SAIs, Liberia
Enhancing ELearning capacity
• October 5-November 30, 2016: LMS Administrators eLearning Course (ASOSA), Online
SAI Engaging with Stakeholders
• October 10-21, 2016: Global Product Development Meeting- Blended Learning Programme, Philippines
SAI Fighting Corruption
• November 14-25, 2016: Global Product Development Meeting- Blended Learning Programme, Budapest Hungary
Auditing Sustainable Development Goals
• October 3-7, 2016: Product Development Meeting, New Delhi India
CBC Support Programme
• October 6-14, 2016: ASOSAI Review Meeting Audit of Disaster Management, Indonesia
• December 8-16, 2016: PASAI Review Meeting Audit of Procurements, Samoa

INTOSAI-Donor Secretariat

- -October 5-6, 2016: 9th steering committee meeting, Cape Town South Africa

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