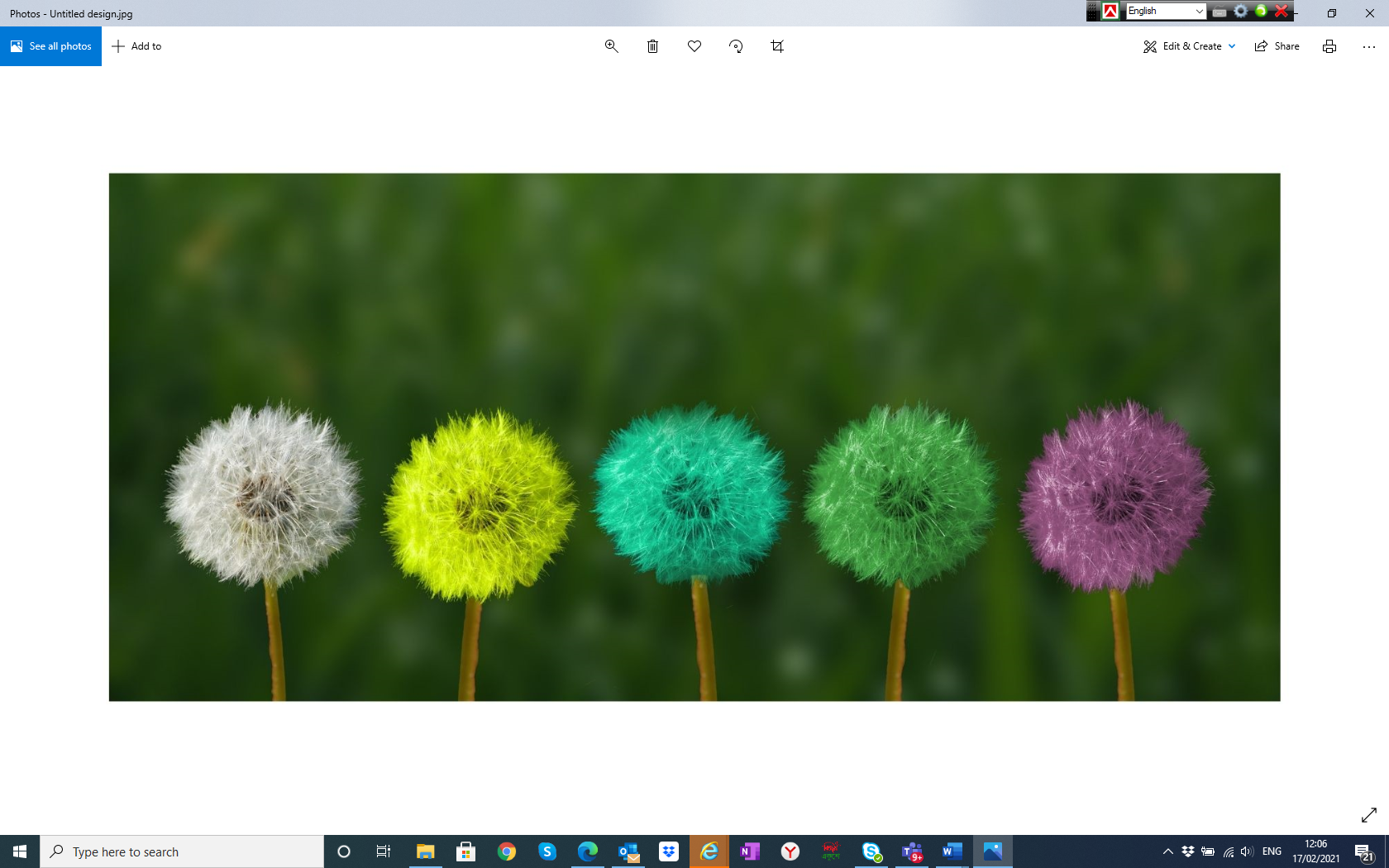


**iCAT Compliance Audit**

 An ISSAI Implementation Needs Assessment Tool

Version 1, August 2021

INTOSAI Development Initiative (IDI)

www.idi.no

iCAT Compliance Audit

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# List of abbreviations

ARABOSAI Arab Organization of Supreme Audit Institutions

CA compliance audit

CREFIAF Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques d’Afrique Francophone Subsaharienne

iCAT ISSAI Compliance Assessment Tool

IDI INTOSAI Development Initiative

INTOSAI International Organization of Supreme Audit Institutions

ISSAI International Standards of Supreme Audit Institutions

OLACEFS Organization of Latin American and Caribbean Supreme Audit Institutions

SAI supreme audit institution

# Quality Statement for iCAT Compliance Audit- An ISSAI Implementation Needs Assessment Tool, Version 1 (8 June 2021)

INTOSAI Goal Chairs and IDI’s joint paper on ‘Quality assuring INTOSAI public goods that are developed and published outside due process’ identifies three levels of quality assurance, as follows:

|  |
| --- |
| **QUALITY ASSURING INTOSAI PUBLIC GOODS THAT ARE DEVELOPED AND PUBLISHED OUTSIDE DUE PROCESS – Levels of Quality Assurance**  **Level 1**: Products that have been subjected to quality assurance processes equivalent to INTOSAI due process, including an extended period of transparent public exposure (90 days)  **Level 2**: Products that have been subjected to more limited quality assurance processes involving stakeholders from outside the body or working group responsible for the products’ initial development. Quality assurance processes might, for example, include piloting, testing and inviting comments from key stakeholders, although not go as far as full 90-day public exposure  **Level 3**: Products that have been subjected to rigorous quality control measures within the body or working group responsible for their development |

Different levels of Quality Assurance may be appropriate for different GPGs. This GPG has been developed according to quality assurance level 1

**Quality Assurance Protocol: Version 2.0**

IDI’s Protocol for Quality Assurance (QA) of IDI’s Global Public Goods defines measures to ensure quality based on the three levels of quality assurance above. For quality assurance level 1, these measures include: approval by the IDI Board to create the GPG; formation of a competent product development team; peer review by experts external to the development team; modification based on review; proofreading, editing and translation of the document by competent persons; public exposure for a period of 90 days/consultation with relevant stakeholders representing views from most regions, most models of auditing, developed and developing countries, and from the perspective of global bodies; modifications of the document based on comments received during public exposure; and due approvals for the GPG version 1.

**Updates to this GPG**

To ensure that this GPG stays relevant, IDI will undertake major revision of this iCAT Compliance Audit whenever there are changes in compliance audit ISSAIs. Major revisions will follow IDI’s Protocol for Quality Assurance. In addition, light touch reviews may be undertaken as per need. Such light touch reviews will not normally be subject to this Protocol.

This GPG is owned by IDI’s Professional SAIs work stream, which is responsible for maintenance of this GPG.

**Quality Assurance Review Process**

Shourjo Chatterjee (Strategic Support Unit, IDI) has undertaken a QA review of the process followed for the development of this GPG, against QA Protocol Version 2.0. The QA reviewer is familiar with IDI’s protocol for QA of GPGs and was not involved in development of the GPG. This QA review process is designed to provide all stakeholders with assurance that the IDI has carried out the quality control measures stated above, designed to meet quality assurance level 1.

**Results of the Quality Assurance Review**

The QA review of the process followed in developing this GPG concluded that the Protocol has been followed as required for quality assurance level 1 in all respects.

**Conclusion**

Based on the QA review, IDI assures the users of this Global Public Good (GPG) that this document has been subjected to a quality assurance process equivalent to Due Process for INTOSAI Framework of Professional Pronouncements (IFPP), including an extended period of transparent public exposure.

Einar Gørrissen

Director General

INTOSAI Development Initiative

8 June 2021

1. About the iCAT Compliance Audit

**Background**

The IDI first developed the Compliance Audit (CA) iCAT (ISSAI Compliance Assessment Tool) in 2012, under the ISSAI Implementation Initiative (3i Programme). The first version of the iCAT was based on ISSAI 4000 approved in 2010. Later in 2016, INTOSAI approved the new Compliance Audit ISSAI[[1]](#footnote-1) 4000 as the authoritative standard for a compliance audit. The new ISSAI 4000 incorporated significant changes from the earlier compliance audit ISSAIs.

IDI also learned significant lessons while helping SAIs in using the CA iCAT during the first round of the 3i Programme, and adopted a protocol for quality assurance of IDI’s global public goods (2019). This version of the CA iCAT has been revised, considering the changes in the applicable standards, lessons learned and the quality assurance requirements for IDI’s global public goods.

**What is the purpose of the CA iCAT?**

The IDI has developed the CA iCAT to support SAIs in assessing their needs in the implementation of the compliance audit ISSAI. When an SAI decides to implement the ISSAIs, it generally needs to begin the process by mapping its current audit practices. After ascertaining the nature of the audit practice, an SAI can use the CA iCAT to determine needs for moving towards full ISSAI compliance, if it has a compliance audit practice. If the SAI does not have a compliance audit practice, the CA iCAT is not applicable.

**How was this version of the iCAT tool developed?**

The IDI followed its Protocol for Quality Assurance of its Global Public Goods V2.0[[2]](#footnote-2) for the development of the CA iCAT. Section 6 of the protocol, Conversion of existing products into a Global Public Good, determines the due process for ensuring the quality of this version of the iCAT. This version is an update on the compliance audit iCAT issued in 2012. As an IDI global public good, this product has been developed as per the requirements of the Protocol for Quality Assurance of IDI’s global public goods.

A product development team from the SAIs of different INTOSAI regions and the IDI staff developed the first draft of this iCAT. A group of compliance audit experts from the Compliance Audit Subcommittee Secretariat (SAI India), SAI Lithuania, SAI Norway, SAI South Africa and SAI Maldives independently reviewed the draft Version 0 of the iCAT. After the compliance audit experts’ review, Version 0 was finalised and placed on the IDI website for public exposure for 90 days.

During the exposure, the IDI informed the relevant stakeholders about the availability of Version 0 on the IDI website and requested their feedback and comments. The stakeholders involved in the process include the SAIs, ISSAI facilitators and auditors engaged in IDI’s ISSAI implementation initiative. Other stakeholders who were consulted were the INTOSAI General Secretariat, INTOSAI regions, INTOSAI Professional Standards Committee, INTOSAI Compliance Audit Subcommittee, INTOSAI Knowledge Sharing Committee, IDI’s resource persons and experts, and the donor community.

At the same time, the IDI translated Version 0 iCAT into Spanish, Arabic and French and placed it on the IDI website for public exposure. The IDI sent the translated iCAT to the OLACEFS, ARABOSAI and CREFIAF regional secretariats to disseminate among the SAIs of these regions for comments.

The IDI acknowledges the valuable comments it has received from stakeholders on the Version 0 exposure. These comments are duly incorporated and have been very useful in improving the iCAT and developing Version 1. A disposition table showing the comments received and the action taken on them is also published with this Version 1. Because Version 1 of the iCAT now replaces Version 0, IDI withdraws Version 0 iCAT on the date of the publication of Version 1.

**Sections of this CA iCAT guidance**

There are seven sections in this guidance, including this section about the CA iCAT. Section 2 explains how the SAI can use the iCAT tool in its ISSAI implementation needs assessment process. Section 3 describes the iCAT tool’s format and elements. Section 4 provides guidance on how the SAI teams can conduct the iCAT using the tool. Section 5 is the CA iCAT tool, which contains all ISSAI 4000 requirements. Section 6 includes the explanations and guidance of all ISSAI 4000 requirements covered in the iCAT tool.

We recommend that the SAI teams who will conduct the iCAT read the explanation of a particular requirement (provided in section 6) to understand the underlying concepts and the issues to consider while assessing. The team could also follow the guidance provided to evaluate the situation in the SAI regarding particular ISSAI requirements and decide whether these requirements are implemented or not in the SAI’s compliance audit practice.

Section 7 is about writing the iCAT report after completing the iCAT tool. The iCAT report is for the SAI to consider the identified ISSAI implementation needs and develop a strategy and action plan for moving towards full compliance with ISSAIs in the compliance audit practice.

1. Using the CA iCAT in the SAI’s ISSAI Implementation Needs Assessment

ISSAI implementation in the SAI is often a technical process rather than an administrative one. The process begins with the SAI’s strategic decision of implementing the ISSAIs. Then the SAI needs to take measures to implement the ISSAIs in its audit process step by step. The iCAT is a crucial tool to use in the SAI’s ISSAI implementation process. To determine ISSAI implementation needs, the SAI needs to compare its audit practice, relevant guidelines and methodology against the respective ISSAIs. For this, first, the SAI needs to map its audit universe in terms of the three audit types: financial, performance and compliance audits. To perform a needs assessment, the IDI recommends a step-by-step mapping process, as shown below.

By analysing its mandate and its current audit practice vis-à-vis the mandate, the SAI can identify what types of audit it is performing. At the same time, the SAI determines the expectations of its stakeholders. At this stage, the SAI evaluates its position related to the audit impact (including gender and inclusiveness), stakeholder engagement and the local context, which are essential in assessing needs for a robust audit practice that will add value.

Based on its mandate, existing practice and the expectations from stakeholders, the SAI can decide if it wants to implement the ISSAIs of a respective type of audit and if it is ready with the resources required for implementation.

**The relationship between iCAT and ISSAI implementation needs assessment**

Once the SAI considers itself ready with the necessary resources for implementing the ISSAIs, it needs to determine the implementation needs in the audit methodology for a particular type of audit, for example, compliance audit. The SAI needs to compare its current compliance audit methodology in practice against the ISSAI 4000 requirements (stage 4 of the mapping process above). The SAI can accomplish this by applying the compliance audit iCAT.

The result of using the CA iCAT tool will reveal the status of the SAI’s compliance audit practices, and on this basis, the SAI would develop a strategy addressing the needs for implementing the compliance audit ISSAIs. This approach can facilitate the SAI moving towards full compliance with ISSAIs.

The CA iCAT tool is explained in the next section.

1. Understanding the CA iCAT Tool

The compliance audit iCAT tool is designed to assist the needs assessment team in ascertaining whether the SAI has implemented the requirements of ISSAI 4000, and if not, what the implementation needs are. The ISSAI requirements in iCAT are aligned with the ISSAI 100, the fundamental principles of public sector auditing, and the ISSAI 400, the fundamental principles of compliance auditing. The structure of the CA iCAT maps the SAI’s compliance audit practice with the ISSAI 4000 general requirements of compliance auditing and with the requirements related to thecompliance auditing process.

Section 5 of this document includes the complete CA iCAT tool. SAI teams who will conduct the needs assessment can use the iCAT tool. The iCAT tool has six columns, as shown below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ISSAI 4000 requirements | Is the requirement implemented in audit practice? | If **YES**: Explain how the requirement is implemented in the SAI’s audit practice. | If **NO**: Determine the required implementation efforts. | If **NO**: Explain how to address the specific need(s) for implementing the requirement. | If **Not Relevant**: Explain the rationale on how the requirement is not relevant. |
| Column I | Column II | Column III | Column IV | Column V | Column VI |

**Column I - ISSAI 4000 requirements**

This column includes the ISSAI 4000 reference number and the statement of the requirement. The ISSAI reference shows the paragraph number of the requirement in the ISSAI 4000 document; for example, the first requirement is ISSAI 4000/45.

The ISSAI 4000 contains mandatory requirements and their explanations. The requirements are the minimum necessary conditions for accomplishing a high-quality audit, and they are presented as ‘shall’ statements. The word ‘shall’ indicates that a sentence is to be understood as a ‘requirement’ when the SAI uses ISSAIs as the authoritative auditing standards (and when the SAI references the ISSAIs in its audit reports). ‘Shall’ statements usually provide for the targets that an auditor shall achieve or conditions the auditor shall consider.

Each requirement in column I has an explanation. While using the iCAT tool, the team may refer to the explanation of the requirement to understand the underlying concepts and elements of the requirement.

**Column II - Is the requirement implemented in audit practice?**

The iCAT team has to ascertain, in the sample audit files, whether a requirement is implemented or not. The team can select one of the three options here:

**Yes**: Based on the situation of the requirement in the audit files, if the team finds it is implemented in practice, it selects ‘Yes’. In that case, the team needs to explain in column III how the requirement is implemented in the SAI’s audit practice, with evidence and reference documents.

**No:** If the team finds that the requirement is not implemented in practice, it selects ‘No’. It means there is a need for some implementation efforts from the SAI for that particular requirement. The specific needs should arise from the assessment of the requirement in the audit files and the available documentation. Column IV provides a list of suggestive areas where the SAI can initiate its implementation efforts to comply with the requirement.

**Not relevant:** Some requirements may not be relevant for the specific assessment; for example, requirements related to follow-up of recent audits. In that case, the team should select ‘Not relevant’.

**Column III - If YES: Explain how the requirement is implemented in the SAI’s audit practice**

If a particular requirement is implemented in practice, it does not need any implementation efforts from the SAI. However, to consider that a requirement is implemented in practice, the iCAT team needs to have sufficient and appropriate evidence indicating that the respective auditors have followed the methodology and complied with relevant procedures and guidance regarding the requirement. The team also needs to ensure that the SAI’s compliance audit practice meets the requirement. This means that the requirement should be implemented in the sample of audits selected for the assessment, and not just in one compliance audit.

**Column IV - If NO: Determine the required implementation efforts**

If the conclusion related to a specific requirement is that there are implementation efforts required, the iCAT team will choose the area(s) where the situation needs improvement. The areas are listed below, as well as explanations on how to analyse and decide that implementation efforts are required.

1. SAI policy

Policy refers to top management’s principles or rules to guide the decision-making in the SAI and achieve the desired results and outcomes described in the requirement. A policy is a tool to put the decisions into practice. These tools define what the auditor should do in practice. If the SAI has formulated a policy to fulfil the relevant requirement and carries all the necessary characteristics, the requirement is complied with. Implementation effort is required when there is no policy in place, or the policy doesn’t carry the characteristics described in the requirement. Also, there can be a policy, but it may lack key elements which make the practice non-compliant with the standards.

1. SAI human resources

Choose this if the requirement shows that the inadequacies lie with SAI human resource management. It might be, for example, lack of resources, high staff turnover or management problems.

1. SAI systems and other resources

Choose this if there is a gap in the SAI regarding the systems and other resources (for example, financial) to comply with a particular requirement. For example, the SAI needs automated audit software to assist the team in conducting a large population sampling and analysis of the information generated by the entity or the SAI has inadequate financial resources and logistics to assist the SAI team in conducting an audit objectively and independently. Implementation effort is required if the SAI cannot arrange for these resources.

1. Team competency

Choose this if the audit team members are not competent to apply the requirement or the SAI has not trained its staff in that area. The SAI needs to consider the team competencies to comply with the requirement. The team collectively should have the necessary competence to perform the audit. Implementation effort is required when there is no proper human resource management to ensure that competent auditors conduct the audits.

1. Audit management, supervision and quality control

These refer to any management intervention (for example supervision, review and quality control review) designed to provide reasonable assurance that the requirement is carried out following relevant standards and applicable legal and regulatory requirements. The SAI needs implementation effort when supervision, review and quality control review responsibilities are not there, and/or they are not sufficient to provide reasonable assurance in achieving the desired quality of the requirement.

1. Audit methodology

Choose this when the iCAT team finds that the SAI audit methodology does not cover the requirement. As a result, the audit team did not apply the requirement in the audit. Implementation effort is required to update and revise the methodology.

1. Implementation of audit methodology

Implementation mechanism guides the auditor to apply the audit methodology to practice and shows how the auditor can accomplish the particular task as required in the standard. The mechanism may be in the form of a template, process, tool or document that fulfils the requirement. The team checks if an implementation mechanism to fulfil the relevant requirement is in place, and it carries all the necessary characteristics. Implementation effort is required when an implementation mechanism is in place, but it does not carry all the necessary characteristics, or implementation is not consistent, or there is no implementation mechanism in place.

1. Audit documentation

There should be adequate documentation (either on paper or in electronic format) regarding the requirement that ensures that someone not involved in the audit is able to understand the decisions made by the auditor. Ideally, the SAI identifies the areas of documentation needs for a requirement and ensures documentation that takes place is complete, timely and consistent. Implementation effort is required when documentation for the requirement is partial or not complete, consistent and timely, or there is no documentation.

1. Communication

Communication refers to the flow of information in the SAI, which directs the field auditors and feeds into management functions. Communication is more than just a transmission mechanism or passing of a message. It should confirm the understanding of the audit matters by all parties. It should ensure that the relevant information regarding the requirement is communicated to all relevant parties (subordinates, peers, managers, third parties, stakeholders) consistently, and there is a common understanding about it, leading to consistent interpretation. Implementation effort is required when information regarding the requirement is not full, and there is no common understanding about it, or the level of understanding does not lead to consistent interpretation.

1. Stakeholder engagement

The SAI team needs to contact, consult and communicate with the different groups or organisations to fulfil a requirement. A stakeholder is defined (in INTOSAI-P 12/3) as a person, group, organisation, member or system that can affect or can be affected by government and public sector entities’ actions, objectives and policies. The SAI needs implementation effort if it does not follow up with the users and does not engage with stakeholders throughout the audit process and does not communicate the results with the stakeholders, like the media or civil society. In some cases, a requirement may ask for feedback from the stakeholders to implement audit recommendations.

Others (not included in the list): If the team identifies any other areas which are not in the list above, they can be elaborated here.

**Column V - If NO: Explain how to address the specific implementation need(s) for the requirement**

After the team determines the specific area(s) of implementation efforts in column IV, it needs to elaborate on how to address these areas. In column V, the team could suggest what the SAI could do, for the areas identified, to ensure compliance with the ISSAI requirement in its future audits. The team needs to identify the reasons for not complying with the requirement. As mentioned before, determining the real cause of non-compliance would require detailed analysis of the information gathered. If needed, the team should conduct further work to identify all relevant causes of non-compliance.

This column, together with column III, can form the basis for the recommendations of the iCAT report. The team can recommend, for example—based on the situation found and its causes, as appropriate—to update the policy or revise a specific part of the methodology, update the template, add material in the training of auditors, allocate appropriate human resources or strengthen the quality control function.

**Column VI - If Not Relevant: Explain the rationale on how the requirement is not relevant**

When the team determines that a particular requirement is not applicable or not relevant for the compliance audit under assessment, it will document the rationale for that in this column. For example, SAIs with jurisdictional powers have the authority to exercise judgement and make decisions concerning public officials responsible for non-compliant accounts. There are ISSAI requirements (e.g. ISSAI 4000/170) which are only applicable for SAIs with jurisdictional powers. Also, requirements for compliance audit attestation engagements are not applicable when the engagement is a direct reporting engagement (e.g. ISSAI 4000/218). It is essential to document the basis for selecting this option. It may reduce the risk of relevant requirements being overlooked by the team.

1. How to Use the CA iCAT Tool

This section guides the process of using the iCAT tool. It explains the appropriate team for conducting the iCAT, steps in completing the iCAT and considerations for accomplishing the iCAT in an effective manner.

**Who can use the CA iCAT tool?**

It is good practice that a team rather than an individual use the iCAT. We recommend that the SAI form a team composed of compliance auditors who, collectively, have the competencies required by the ISSAIs. The team needs to possess knowledge in research design, investigation techniques, analytical capacity, writing and communication skills, creativity, public sector compliance framework, and rules and regulations.

It is beneficial for the SAI if some team members have managerial backgrounds so that they have good organisational overview and influence in subsequent implementation initiatives. Besides members who have a good understanding of SAI-level issues, we recommend that the team also have members who are familiar with the relevant audit practice as defined by the ISSAIs and as practised in the SAI.

**Support from top management**

Accomplishing the iCAT is entirely dependent on SAI top management commitment as it is imperative in the ISSAI implementation process. The SAI management could proactively follow up on the status of the assessment process and address the needs or challenges of the iCAT team. The SAI management may also ensure that the iCAT team has the required resources and competencies to successfully conduct the iCAT. SAI management should consider the iCAT report and take the necessary actions to implement the recommendations.

**How to use the CA iCAT tool**

Using the CA iCAT tool involves planning, gathering data to fill in the CA iCAT table and writing a report based on the findings.

**Planning the CA iCAT**

Like any other project, conducting CA iCAT requires resources such as people, funds, logistics and time. It is a best practice that the iCAT team prepare an action plan detailing the milestones, the resource requirements and the risks related to each milestone. The team also needs to recognise and manage risks arising during the process. The team will select the sample of audits, which will be the basis for filling in the iCAT tool. The SAI should ensure that there are adequate measures in place for quality check at different stages of the iCAT process to achieve the desired result.

Selecting sample audits to cover the audit practice

To assess the ISSAI implementation needs, the iCAT team needs to select samples of audits from its compliance audit universe. The iCAT team can choose the most recent audit engagements to ensure that the assessment reflects the current audit practice. The sample of audit engagements selected should represent the overall SAI compliance audit practice covering the SAI’s different functional divisions, departments and geographical regions. In other words, the sample chosen should be typical. The iCAT team may stratify the samples accordingly (for example, by functional divisions or departments) and carry out the assessment separately to arrive at a uniform and consistent conclusion on implementation needs.

Defining procedures

The iCAT team can use the iCAT tool (section 5) in each compliance audit in the sample to identify the needs regarding ISSAI implementation.

To be able to apply the tool, the iCAT team might need to use different types of data collection procedures. The definition of the procedures used to gather data is done during the planning stage of the iCAT process.

**Gathering data to complete the CA iCAT**

While gathering data to conduct iCAT, we recommend that the team use a variety of data-gathering techniques like focus groups, interviews, document review, survey and observation. The technique selected must be appropriate for gathering valid and relevant information for assessing ISSAI implementation needs. For example, if the team wants to check the extent to which a policy is implemented, interviewing people may not be enough; the team would have to review documentation supporting implementation. It is also important to gather information about the causes or reasons for the SAI’s ISSAI implementation actions or lack of them.

In conducting iCAT, the team can use one or more of the following techniques to gather data:

* Observation of audit processes and procedures, activities and tasks
* Document review (working paper files, audit manuals, relevant legislation)
* Interviews with various levels of personnel in the SAI
* Focus groups

We also recommend getting input from external stakeholders, for example, audited entities, parliament members, civil society, and non-profit organisations, where relevant.

Participatory approach

We recommend a consultative process for conducting iCAT. The iCAT team needs to consult with a cross-section of SAI staff at various levels (audit team, other auditors, supervisors, managers, top managers). We recommend the team also take into account external stakeholders’ views and their needs. It will help the iCAT team to understand the compliance audit practice and the value added by the compliance audits. The stakeholder involvement ranges from providing information or opinion to having an integral part in making decisions on needs and priorities. Though the iCAT team is small, involving more people will lead to greater ownership and a more robust and effective iCAT process. If the SAI management can ensure the ownership of the process at the iCAT stage, the subsequent steps of developing and implementing the strategy for ISSAI implementation will have greater acceptance in the SAI.

Documentation

The iCAT team needs to systematically document all working papers and the evidence that it generates while completing the iCAT tool. Adequate documentation (for example, data-gathering tools used for collecting information) helps the team in writing the iCAT report and is necessary for illustrating the conclusions of the iCAT to the SAI management. In addition, adequate documentation would serve as a model example for future iCAT teams conducting similar exercises.

**Writing the CA iCAT report**

The process does not end when the iCAT team fills in the iCAT tool. The tool will provide information to be analysed and allow a conclusion on the SAI audit practices. This will be included in the final product of an iCAT assignment, the iCAT report.

The report will contain a summary of the iCAT process and an overview of the SAI’s existing compliance audit practices compared with ISSAI 4000. The report will also identify areas where implementation efforts are needed to make the SAI’s compliance audit methodology fully ISSAI compliant.

The report will conclude on ISSAI implementation needs at different stages of the compliance audits and provide recommendations based on the causal analysis.

We recommend that the iCAT team start drafting the report and decide on its structure throughout applying the iCAT tool. We also recommend agreeing on the structure of the iCAT report during the planning stage of iCAT. Section 7 has more information about a suggested format of an iCAT report and the guiding principles to writing it.

1. CA iCAT Tool
2. General requirements of compliance auditing

| No. | ISSAI 4000 requirements  (Consider the explanations and guidance provided in section 6 for each requirement.) | Is the requirement implemented in the audit practice? (Select from the dropdown list.) | If **YES:**  Explain how the requirement is implemented in the SAI’s audit practice (with supporting evidence and reference documents). | If **NO:** Determine therequiredimplementation efforts. (Select from the dropdown list.) | If **NO:**  Explain how to address the specific need(s) for implementing the requirement. | If **Not Relevant:**  Explain the rationale on how the requirement is not relevant. |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | ISSAI 4000/45  The auditor shall comply with the relevant procedures relating to objectivity and ethics, which in turn shall comply with the related ISSAIs on objectivity and ethics. | Choose an item. |  | Choose an item. |  |  |
| 2 | ISSAI 4000/48  The auditor shall take care to remain objective so that findings and conclusions will be impartial and shall be seen as such by third parties. | Choose an item. |  | Choose an item. |  |  |
| 3 | ISSAI 4000/52  The auditor shall perform procedures to reduce the risk of producing incorrect conclusions to an acceptable low level. | Choose an item. |  | Choose an item. |  |  |
| 4 | ISSAI 4000/58  The auditor shall consider the risk of fraud throughout the audit process, and document the result of the assessment. | Choose an item. |  | Choose an item. |  |  |
| 5 | ISSAI 4000/64  Where the SAI has the discretion to select the coverage of compliance audits, it shall identify areas that are of significance for the intended user(s). | Choose an item. |  | Choose an item. |  |  |
| 6 | ISSAI 4000/71  The auditor shall exercise professional judgment throughout the audit process. | Choose an item. |  | Choose an item. |  |  |
| 7 | ISSAI 4000/74  Professional advice shall be sought when difficult or contentious issues are encountered to assist in exercising professional judgment. | Choose an item. |  | Choose an item. |  |  |
| 8 | ISSAI 4000/77  The auditor shall exercise professional scepticism, and maintain an open and objective mind. | Choose an item. |  | Choose an item. |  |  |
| 9 | ISSAI 4000/80  The SAI shall take responsibility for the overall quality of the audit to ensure that the audits are carried out in accordance with relevant professional standards, laws and regulations and that the reports are appropriate in the circumstances. | Choose an item. |  | Choose an item. |  |  |
| 10 | ISSAI 4000/85  The SAI shall ensure that the audit team collectively has the necessary professional competence to perform the audit. | Choose an item. |  | Choose an item. |  |  |
| 11 | ISSAI 4000/89  The auditor shall prepare audit documentation that is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained and conclusions reached. The auditor shall prepare the audit documentation in a timely manner, keep it up to date throughout the audit, and complete the documentation of the evidence supporting the audit findings before the audit report is issued. | Choose an item. |  | Choose an item. |  |  |
| 12 | ISSAI 4000/96  The auditor shall communicate in an effective manner with the audited entity and those charged with governance throughout the audit process. | Choose an item. |  | Choose an item. |  |  |
| 13 | ISSAI 4000/99  Instances of material non-compliance shall be communicated with the appropriate level of management and (if applicable) those charged with governance. Other significant matters arising from the audit that are directly relevant to the entity shall also be communicated. | Choose an item. |  | Choose an item. |  |  |

1. Requirements related to compliance auditing planning process

| No. | ISSAI 4000 requirements  (Consider the explanations and guidance provided in section 6 for each requirement.) | Is the requirement implemented in the audit practice? (Select from the dropdown list.) | If **YES:**  Explain how the requirement is implemented in the SAI’s audit practice (with supporting evidence and reference documents). | If **NO:** Determine therequiredimplementation efforts. (Select from the dropdown list.) | If **NO:**  Explain how to address the specific need(s) for implementing the requirement. | If **Not Relevant:**  Explain the rationale on how the requirement is not relevant. |
| --- | --- | --- | --- | --- | --- | --- |
| 14 | ISSAI 4000/101  The auditor shall explicitly identify the intended user(s) and the responsible party and consider the implication of their roles in order to conduct the audit and communicate accordingly. | Choose an item. |  | Choose an item. |  |  |
| 15 | ISSAI 4000/107  Where the SAI has the discretion to select the coverage of compliance audits, the auditor shall define the subject matter to be measured or evaluated against criteria. | Choose an item. |  | Choose an item. |  |  |
| 16 | ISSAI 4000/110  Where the SAI has the discretion to select the coverage of compliance audits, the auditor shall identify relevant audit criteria prior to the audit to provide a basis for a conclusion/an opinion on the subject matter. | Choose an item. |  | Choose an item. |  |  |
| 17 | ISSAI 4000/121  Depending on the mandate of the SAI, the characteristics of the subject matter and the needs of the intended user(s), the auditor shall decide whether the audit shall provide reasonable or limited assurance. | Choose an item. |  | Choose an item. |  |  |
| 18 | ISSAI 4000/125  The auditor shall determine materiality to form a basis for the design of the audit, and re-assess it throughout the audit process. | Choose an item. |  | Choose an item. |  |  |
| 19 | ISSAI 4000/131  The auditor shall have an understanding of the audited entity and its environment, including the entity’s internal control, to enable effective planning and execution of the audit. | Choose an item. |  | Choose an item. |  |  |
| 20 | ISSAI 4000/137  The auditor shall develop and document an audit strategy and an audit plan that together describe how the audit will be performed to issue reports that will be appropriate in the circumstances, the resources needed to do so and the time schedule for the audit work. | Choose an item. |  | Choose an item. |  |  |

1. Requirements related to performing audit procedures to obtain audit evidence

| No. | ISSAI 4000 requirements  (Consider the explanations and guidance provided in section 6 for each requirement.) | Is the requirement implemented in the audit practice? (Select from the dropdown list.) | If **YES:**  Explain how the requirement is implemented in the SAI’s audit practice (with supporting evidence and reference documents). | If **NO:** Determine therequiredimplementation effort. (Select from the dropdown list.) | If **NO:**  Explain how to address the specific need(s) for implementing the requirement. | If **Not Relevant:**  Explain the rationale on how the requirement is not relevant. |
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| 21 | ISSAI 4000/144  The auditor shall plan and perform procedures to obtain sufficient and appropriate audit evidence to form a conclusion with the selected level of assurance. | Choose an item. |  | Choose an item. |  |  |
| 22 | ISSAI 4000/153  The auditor in a SAI with jurisdictional powers shall perform procedures to obtain sufficient and appropriate audit evidence regarding the liability of the public official who might be held responsible for non-compliance/unlawful acts. | Choose an item. |  | Choose an item. |  |  |
| 23 | ISSAI 4000/158  The auditor shall select a combination of audit techniques to be able to form a conclusion with the selected level of assurance. | Choose an item. |  | Choose an item. |  |  |
| 24 | ISSAI 4000/170  In SAIs with jurisdictional powers, the inquiry shall be carried out in written form when requested by the national law. | Choose an item. |  | Choose an item. |  |  |
| 25 | ISSAI 4000/172  The auditor shall use audit sampling, where appropriate, to provide a sufficient amount of items to draw conclusions about the population from which the sample is selected. When designing an audit sample, the auditor shall consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn. | Choose an item. |  | Choose an item. |  |  |

1. Requirements related to evaluating audit evidence and forming conclusions

| No. | ISSAI 4000 requirements  (Consider the explanations and guidance provided in section 6 for each requirement.) | Is the requirement implemented in the audit practice? (Select from the dropdown list.) | If **YES:**  Explain how the requirement is implemented in the SAI’s audit practice (with supporting evidence and reference documents). | If **NO:** Determine therequiredimplementation efforts. (Select from the dropdown list.) | If **NO:**  Explain how to address the specific need(s) for implementing the requirement. | If **Not Relevant:**  Explain the rationale on how the requirement is not relevant. |
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| 26 | ISSAI 4000/179  The auditor shall compare the obtained audit evidence with the stated audit criteria to form audit findings for the audit conclusion(s). | Choose an item. |  | Choose an item. |  |  |
| 27 | ISSAI 4000/184  Based on the audit findings, and the materiality, the auditor shall draw a conclusion whether the subject matter is, in all material respects, in compliance with the applicable criteria. | Choose an item. |  | Choose an item. |  |  |
| 28 | ISSAI 4000/188  The auditor shall communicate the level of assurance provided in a transparent way. | Choose an item. |  | Choose an item. |  |  |

1. Requirements related to reporting

| No. | ISSAI 4000 requirements  (Consider the explanations and guidance provided in section 6 for each requirement.) | Is the requirement implemented in the audit practice? (Select from the dropdown list.) | If **YES:**  Explain how the requirement is implemented in the SAI’s audit practice (with supporting evidence and reference documents). | If **NO:** Determine therequiredimplementation efforts. (Select from the dropdown list.) | If **NO:**  Explain how to address the specific need(s) for implementing the requirement. | If **Not Relevant:**  Explain the rationale on how the requirement is not relevant. |
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| 29 | ISSAI 4000/191  The auditor shall communicate the conclusion in an audit report. The conclusion can be expressed either as an opinion, conclusion, answer to specific audit questions or recommendations. | Choose an item. |  | Choose an item. |  |  |
| 30 | ISSAI 4000/202  The auditor shall prepare an audit report based on the principles of completeness, objectivity, timeliness, accuracy and contradiction. | Choose an item. |  | Choose an item. |  |  |
| 31 | ISSAI 4000/210  The audit report shall include the following elements (although not necessarily in this order):   1. Title 2. Identification of the auditing standards 3. Executive summary (as appropriate) 4. Description of the subject matter and the scope (extent and limits of the audit) 5. Audit criteria 6. Explanation and reasoning for the methods used 7. Findings 8. Conclusion(s) based on answers to specific audit questions or opinion 9. Replies from the audited entity (as appropriate) 10. Recommendations (as appropriate) | Choose an item. |  | Choose an item. |  |  |
| 32 | ISSAI 4000/218  The audit report shall include the following elements (although not necessarily in this order):   1. Title 2. Addressee 3. Description of the subject matter information, and when appropriate, the underlying subject matter 4. Extent and limits of the audit, including the time period covered 5. Responsibilities of the responsible party and the auditor 6. Audit criteria 7. Identification of the auditing standards and level of assurance 8. A summary of the work performed and methods used 9. Opinion/conclusion 10. Replies from the audited entity (as appropriate) 11. Report date 12. Signature | Choose an item. |  | Choose an item. |  |  |
| 33 | ISSAI 4000/221  In the SAIs with jurisdictional powers, the auditor shall consider the role of the prosecutor or those responsible for dealing with judgment issues within the SAI, and shall also include as appropriate, the following elements in both direct reporting and attestation engagements:   1. Identification of the responsible parties and the audited entity 2. The responsible person(s) involved and their responsibilities 3. Identification of the auditing standards applied in performing the work 4. Responsibilities of the auditor 5. A summary of the work performed 6. Operations and procedures etc. that are affected by non-compliance acts and/or possible unlawful acts. This needs to include, as appropriate:    * A description of the finding and of its cause,    * The legal act which has been infringed (the audit criteria),    * The consequences of the non-compliance acts and/or possible unlawful acts. 7. The responsible persons and their explanations regarding their non-compliance acts and/or possible unlawful acts, when appropriate 8. The auditor’s professional judgment which determines whether there is personal liability for non-compliance acts. 9. The value of the loss/misuse/waste created and the amount to be paid due to personal liability. 10. Any measures taken by responsible persons during the audit to repair the loss/misuse/waste created. 11. The management’s arguments on the non-compliance/unlawful acts. | Choose an item. |  | Choose an item. |  |  |
| 34 | ISSAI 4000/225  In conducting compliance audits, if the auditor comes across instances of non-compliance which may be indicative of unlawful acts or fraud, s/he shall exercise due professional care and caution and communicate those instances to the responsible body. The auditor shall exercise due care not to interfere with potential future legal proceedings or investigations. | Choose an item. |  | Choose an item. |  |  |

1. Requirement related to follow-up

| No. | ISSAI 4000 requirement  (Consider the explanations and guidance provided in section 6 for each requirement.) | Is the requirement implemented in the audit practice? (Select from the dropdown list.) | If **YES:**  Explain how the requirement is implemented in the SAI’s audit practice (with supporting evidence and reference documents). | If **NO:** Determine therequiredimplementation efforts. (Select from the dropdown list.) | If **NO:**  Explain how to address the specific need(s) for implementing the requirement. | If **Not Relevant:**  Explain the rationale on how the requirement is not relevant. |
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| 35 | ISSAI 4000/232  The auditor shall decide to follow up on opinions/conclusions/recommendations of instances of non-compliance in the audit report when appropriate. | Choose an item. |  | Choose an item. |  |  |

1. CA iCAT Guidance: Explanation of ISSAI 4000 Requirements for Completing the iCAT Tool
   * 1. General requirements of compliance auditing

| No. | ISSAI 4000 requirements | Explanation | Guidance |
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| 1 | ISSAI 4000/45  The auditor shall comply with the relevant procedures relating to objectivity and ethics, which in turn shall comply with the related ISSAIs on objectivity and ethics. | The auditor is to demonstrate professional behaviour and ethical values including integrity and objectivity, possess the required professional competence and exercise due care, confidentiality and transparency. The auditor is also to maintain independence in fact and appearance and confidentiality regarding all audit matters. | * Check if the SAI has a code of ethics. If the SAI has one, check how the SAI establishes systems to ensure that the staff complies with the ethical requirements. * Examine whether the SAI human resources management department and functional departments consider the ethical requirements and professional behaviour in the operation of the SAI. |
| 2 | ISSAI 4000/48  The auditor shall take care to remain objective so that findings and conclusions will be impartial and shall be seen as such by third parties. | The auditor demonstrates objectivity in selecting their audit objectives and identifying the criteria. The auditor needs to ensure that communication with stakeholders does not compromise the objectivity of the SAI.  The subject matter and audit criteria might already be defined by the national legislation and/or the remit of the audited entity. In these cases, an SAI will not always have the ability to influence the scope of the audit work, but this restriction does not impact the objectivity of the auditor.  The auditors need to avoid undue influence and maintain objectivity so that their work and report will be seen as impartial by reasonable and informed third parties. | * Check if the SAI audit methodology covers the issues of objectivity and criteria. * Check if the implementation mechanisms of the methodology outline the systems, processes, guidance tools and templates to help auditors remain objective and follow the guidelines. * Examine the SAI’s existing mechanisms for communicating with its stakeholders. |
| 3 | ISSAI 4000/52  The auditor shall perform procedures to reduce the risk of producing incorrect conclusions to an acceptable low level. | An audit is a process in which the auditor performs procedures to reduce or manage the risk of reaching incorrect conclusions, recognizing that there are inherent limitations in all audits. Reducing audit risk includes anticipating the possible or known risks of the work envisaged and consequences thereof, developing procedures to address those risks during the audit and documenting which and how those risks will be addressed.  The auditor needs to evaluate:  a) whether the scope of the work performed is sufficient, and  b) whether audit evidence is sufficient and appropriate.  Audit risk in compliance audit covers both attestation and direct engagements. The auditor should consider the three dimensions of audit risk: inherent risk, control risk and detection risk.  For the SAIs with jurisdictional powers, considerations of audit risk may include:  a) Identifying who may be held responsible for non-compliance acts.  b) Identifying the time period for which public officials may be held liable.  c) Determining whether these acts have caused loss or waste of public funds. | * Check if the SAI audit methodology includes that the auditor has to consider the three elements of audit risk. * Check if the implementation mechanisms of the methodology outline the systems, processes, guidance tools and templates to help auditors apply the audit risk model. * Examine the documentation (electronic and/or paper form) in the selected sample of audit files, and check whether the auditor has done risk assessment according to the requirement and the audit works are sufficient and have the appropriate evidence. |
| 4 | ISSAI 4000/58  The auditor shall consider the risk of fraud throughout the audit process, and document the result of the assessment. | The auditor needs to identify and assess the risk of fraud, and gather sufficient appropriate evidence related to identified fraud risk through designing and performing appropriate audit procedures.  Fraud risk and assessment of materiality in relation to fraud are considered in the context of broader scope and part of the risk factors that are considered in compliance auditing.  The auditor is responsible for maintaining professional scepticism throughout the audit and recognising the fact that audit procedures that are effective for detecting error may not be effective in detecting fraud. When suspected fraud has been identified, the auditor takes action to ensure that they respond appropriately according to the SAI’s mandate and the particular circumstances. | * Check whether the SAI audit methodology has a provision that requires identification and assessment of fraud risks and evidence-gathering process related to the identified risk. * Assess if the implementation mechanisms of the methodology outline the processes, systems, tools and templates for the auditors to identify and assess fraud risk and carry out procedures for gathering related evidence. * Examine the documentation (electronic and/or paper form) in the selected sample of audit files and check whether the auditor has identified risks of fraud and developed appropriate audit procedures related to the identified risks. * Assess if the SAI has a mechanism in place to help auditors take appropriate measures consistent with the mandate of their SAIs when they suspect fraud during their work. * Examine documentation in the audit files selected and how the auditors have responded to the situations where they suspected fraud during their work. |
| 5 | ISSAI 4000/64  Where the SAI has the discretion to select the coverage of compliance audits, it shall identify areas that are of significance for the intended user(s). | For those SAIs which have mandated requirements for compliance audits, this requirement is not relevant.  Where the SAI has the discretion to select the coverage of compliance audits, it performs the procedures necessary to identify significant areas and/or areas with the potential risk of non-compliance.  In performing these procedures, the auditor may consider the public interests or expectations, impact on citizens, projects with significant public funding, the significance of certain provisions of the law, principles of good governance, potential breaches of applicable laws and other regulations which govern the public entity’s activity, or the public debt, public deficit and external obligations.  When performing these procedures, the auditor may study the budget proposals, publications, evaluation reports, etc. The auditor may also attend conferences and discussion forums to gather valuable information to form the basis for selecting subject matters and reduce the risk of auditing low-risk areas.  The auditor may often come across examples of non-compliance in other types of audit work being performed at the SAI. The SAI needs to have an established mechanism to report such non-compliance to its risk assessment process for the coming year. | * Check if the SAI has policies and procedures to identify the significant areas to determine the coverage of compliance audits. * Check what internal mechanisms the SAI has to consider the issues identified for coverage and to consider the non-compliances identified in other audits. * Assess if the SAI has mechanisms to assist the auditors in engaging with the stakeholders in different forums. |
| 6 | ISSAI 4000/71  The auditor shall exercise professional judgment throughout the audit process. | The exercise of professional judgement is crucial throughout the audit process. The use of professional judgement means that auditors apply their collective knowledge, skills, training and experience while making decisions at different stages during the audit. This enables the auditors to view different contexts or situations from different angles or perspectives.  The auditor uses professional judgement when deciding the level of assurance. Professional judgement is used when assessing risk and materiality, and when defining the subject matter, scope and corresponding audit criteria. Professional judgement is also used to assess procedures necessary to gather sufficient and appropriate audit evidence and the evaluation thereof. The use of professional judgement is crucial when analysing the audit evidence and forming conclusions based on the findings. | * Check whether the SAI audit methodology has a provision that requires exercising professional judgement. * Assess if the implementation mechanisms of the methodology outline the processes, systems, tools and templates to apply and document the auditor’s professional judgement. * Examine the documentation (electronic and/or paper form) in the selected sample of audit files and check whether the auditor has exercised professional judgement in different stages of the audit. |
| 7 | ISSAI 4000/74  If expertise in a difficult or contentious issue is not available in the audit team, professional advice shall be sought. | In specialised areas, or in dealing with difficult audit issues, external experts can be used to complement the knowledge, competence and experience which are not covered by the audit team. Issues can be related to business-specific competence, jurisdictional or methodological competence. It is important to clarify the contentious issues within the audit team, as well as between the audit team and any others involved in the audit. Evaluating the competence, capabilities and objectivity of the expert include determining whether the expert’s work is related to technical performance or other professional or industry requirements. | * Check if the SAI has a policy for engaging external experts or internal experts to seek advice. (In the case where there is no such policy, no further evaluation is required.) * In case the SAI has a policy, assess the systems, processes, guidance tools, templates, etc. that are available to ensure that external or internal experts have the necessary competence and capabilities for the work for which they are engaged. * Examine the documentation (electronic and/or paper form) in the selected sample of audit files, check whether the use of external or internal experts is documented and assess whether the experts meet the requirement of this standard. |
| 8 | ISSAI 4000/77  The auditor shall exercise professional scepticism, and maintain an open and objective mind. | Professional scepticism is an attitude of an open and questioning mind, whilst maintaining professional distance by being alert to conditions which may indicate possible non-compliance due to error or fraud. Professional scepticism is important when evaluating audit evidence contradicting other audit evidence already obtained, and information that brings into question the reliability of audit evidence, such as documents and responses to inquiries.  Exercising professional scepticism is necessary to ensure that the auditor avoids personal bias and is not overgeneralising when drawing conclusions from observations. In addition, the auditor will act rationally based on a critical assessment of all the evidence collected. | * Check if the SAI has a policy for the auditors to apply professional scepticism within the context provided by auditing standards at all stages of the audit process. * In case the SAI has a policy and methodology, assess the systems, processes, guidance tools, templates, etc. that are available to ensure that the auditor has exercised professional scepticism. * Examine the documentation (electronic and/or paper form) in the selected sample of audit files and check whether the auditor demonstrated professional scepticism in the analysis done. |
| 9 | ISSAI 4000/80  The SAI shall take responsibility for the overall quality of the audit to ensure that the audits are carried out in accordance with relevant professional standards, laws and regulations and that the reports are appropriate in the circumstances. | Applying quality control and assurance procedures that are relevant and easy to manage ensures that auditors are open to feedback received from personnel within and outside the team.  The quality control procedures can be supervision, reviews, consultation and adequate training and might cover the planning, execution and reporting stages of the audit. Within the scope of the quality control procedures, the SAI may have a quality assurance system in place to secure the overall quality of the audit.  The overall quality of the SAI audit is dependent on a system where the roles and responsibilities are clearly defined. The SAI ensures that the audit team performs appropriate procedures and that there is a system for reviewing the auditor’s work throughout the audit. A quality control reviewer documents the review process in the audit file. | * Check if the SAI has a policy on quality control, quality control procedures and the requirement to document that. * Assess if the audit management, supervision and quality control systems, processes, guidance tools, templates, etc. enable the SAI to ensure that its compliance audit is with appropriate quality. * Examine the quality control procedures performed (electronic and non-electronic) in the sample of audit files selected. |
| 10 | ISSAI 4000/85  The SAI shall ensure that the audit team collectively has the necessary professional competence to perform the audit. | The SAI needs to ensure that its audit team commands a range of skills and competence necessary for the effective discharge of its audit. Team members whose education and experience are commensurate with the nature, scope and complexities of the task should carry out the audit. Consideration should be given as to whether the team is capable of selecting criteria free from bias, has general access to accurate information, has considered available information and has had sufficient time to complete the audit assignment.  The audit team is assembled to collectively have the necessary competence, knowledge, skills and expertise to perform the audit in accordance with professional standards. Depending on the subject matter, this may include:  a) Auditing skills and skills regarding data collection and data analysis  b) Legal competence  c) Understanding and experience of different types of audit  d) Knowledge of the applicable standards and authorities  e) Understanding of the audited entity’s operations and appropriate experience for the type of entity and operations  f) The ability and experience to exercise professional judgement  g) Producing an auditor’s report that is appropriate in the circumstances | Check if the SAI has a policy that requires an audit team to have requisite competencies and skills sets for a compliance audit. Also check if the SAI has a policy for engaging external experts and if the SAI’s policies and methodology state that even if external experts perform audit work on behalf of the SAI, the SAI is still responsible for the conclusion(s).  In case the SAI has a policy, assess SAI human resource management systems and processes that are available to ensure that team competency is considered in selection. Also, check whether the external experts have the necessary competence and capabilities for the work for which they are engaged.  Examine if the SAI has a system to document the competencies for the compliance audits planned for an audit cycle or year.   * Examine the records (electronic and non-electronic) in the sample of audit files selected and the composition of audit teams for appropriateness with the nature of audit for compliance with this requirement. Also, see if the SAI has a training arrangement to update the skills portfolio of its staff continuously. |
| 11 | ISSAI 4000/89  The auditor shall prepare audit documentation that is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained and conclusions reached. The auditor shall prepare the audit documentation in a timely manner, keep it up to date throughout the audit and complete the documentation of the evidence supporting the audit findings before the audit report is issued. | Audit documentation is the written record of the basis on which auditors draw their conclusions or opinion in a compliance audit. The purpose of documenting the work performed is to enhance the transparency of the work performed by the auditor. At the same time, it enables an experienced auditor, having no previous connection with the audit, to understand significant matters arising during the audit, the conclusion(s) or opinion(s) reached thereon, and significant professional judgements made in reaching those conclusion(s) or opinion(s).  Proper documentation facilitates the useful review and evaluation of the audit evidence obtained and conclusions reached before issuing the report.  The documentation includes, as appropriate:  a) An explanation of the subject matter of the audit.  b) Risk assessment, audit strategy and plan, and related documents.  c) Methods applied and the scope and period covered by the audit.  d) Nature, time and extent of the audit procedures performed.  e) Results of the audit procedures performed, and the audit evidence obtained.  f) Evaluation of the audit evidence forming the finding(s), conclusion, opinion and recommendation(s).  g) Judgements made in the audit process and the reasoning behind them.  h) Communication with and feedback from the audited entity.  i) Supervisory reviews and other quality control safeguards considered.  When the auditor is gathering evidence, that is the time he or she should evaluate available evidence against the criteria and document these steps accurately. Auditors should review all working papers to ensure they have all the required evidence supporting their audit opinion or conclusion before they issue audit reports. It satisfies the reviewer of the audit work that all findings and assertions have adequate supporting documentation. | Check if the SAI has a policy requiring auditors to document the audit process at all stages of the audit, i.e. planning, gathering and evaluating evidence; reporting; and follow-up.  Check the existence and adequacy of systems, processes, guidance tools, templates, etc. for documentation at all stages of the audit.  Examine the sample of audit files selected, whether auditors have complied with applicable requirements for documentation in their work.  Examine how the auditors ensure that documentation takes place throughout the entire audit process.  Assess what procedures or tools exist to fulfil this requirement.  Assess if there has been intervention by the management of the SAI to ensure quality and determine the nature of the intervention. |
| 12 | ISSAI 4000/96  The auditor shall communicate in an effective manner with the audited entity and those charged with governance throughout the audit process. | Auditors are required to maintain formal and effective communication with the entity at all stages of the audit process.  The matters communicated in writing may include the subject matter, audit criteria, level of assurance, period for the audit, and the government undertakings, organizations and programs to be included in the audit, i.e. confirming the terms of engagement. Communicating these matters can help in achieving a mutual understanding of the audit process and the auditee’s operations.  The auditor considers the timing of communications and whether they are conducted orally or in writing or both.  In the planning phase, the two-way communication ensures that there is a formal understanding between auditors and the audited entity or responsible party regarding the terms of engagement and their respective roles and responsibilities.  While gathering the evidence, communication allows auditors to seek clarification about the preliminary results of their work, revisit their risk and controls assessment, revise their audit strategy and plan, and modify the planned audit procedures to more effectively respond to the audit risk.  When evaluating evidence, forming a conclusion(s) and reporting results, communication helps in cross-checking with the audited entity whether the evidence gathered is sufficient and appropriate. It helps in ensuring that there are no factual errors in auditors’ understanding of the subject matter, identification and application of criteria, and conclusion(s). | * Check if the SAI has a policy or methodology requiring auditors to maintain proper communication with the audited entity at all stages of the audit process and if the policy includes the matters that must be communicated in writing. * Review the systems, processes, guidance tools, templates, etc. that are in place to see whether (a) they facilitate proper communication between the SAI and the audited entity as intended and (b) they prevent auditors’ independence from being impaired. * Examine the communication records (electronic and non-electronic) in the sample of audit files selected and check whether the SAI has followed the applicable requirements in its communication with the audited entity. |
| 13 | ISSAI 4000/99  Instances of material non-compliance shall be communicated with the appropriate level of management and (if applicable) those charged with governance. Other significant matters arising from the audit that are directly relevant to the entity shall also be communicated. | The auditors may, during the audit, face difficulties or delays in getting the required information or records from the audited entity or responsible party. Similarly, the auditors may see red flags pointing towards unlawful acts or fraud. In such circumstance, the auditors should immediately communicate this information to the appropriate level of management or those charged with governance and the impact that lack of action will have on audit findings.  In case the auditors suspect fraudulent acts within the audited entity, they should inform the appropriate level of management so that the audited entity can take pre-emptive steps rather than face negative consequences later.  Findings that are not deemed material, or do not warrant inclusions in the auditor’s report, may also be communicated to management during the audit. Communicating such findings may help the audited entity to remedy instances of non-compliance and avoid similar instances in the future. | * Check if the SAI has a policy showing how the auditors will communicate significant difficulties as well as instances of non-compliance detected during the audit to the audited entity at an appropriate level. * Check if systems, processes, guidance tools, templates, etc. are appropriate and support effective communication to respond to this specific requirement of the standard. * In the sample of audit files selected, examine whether the SAI has complied with this requirement where relevant. |

* + 1. Requirements related to compliance auditing planning process

| No. | ISSAI 4000 requirements | Explanation | Guidance |
| --- | --- | --- | --- |
| 14 | ISSAI 4000/101  The auditor shall explicitly identify the intended user(s) and the responsible party and consider the implication of their roles in order to conduct the audit and communicate accordingly. | The intended users are the individuals or organizations for whom the auditor prepares the audit report. The intended user(s) may be legislative or oversight bodies, those charged with governance, the public prosecutor, the media or the general public. The primary users of compliance audits are often those entities which have issued the authorities identified as audit criteria. Determining the intended users forms the basis for materiality assessment, communication and reporting.  The auditor’s professional judgement influences the form and content of the report as to how to communicate most effectively with the intended users. The needs of users may vary depending upon whether the users are the legislature, a funding agency, a donor organisation, citizen or other relevant stakeholders.  The responsible party in compliance auditing is accountable for the subject matter of the audit. The responsible party needs to comply with criteria deriving from, e.g., laws, regulations, budgetary laws and financial regulations. Depending on the subject matter, the auditor chooses the relevant audit criteria. The auditor also needs to communicate with the responsible party on several occasions throughout the audit process.  When planning the audit, the auditor chooses the materiality, based on the needs of the intended user(s). Identification of the responsible party is essential when setting the audit criteria. For some subject matters, it can be relevant to include more than one responsible party, e.g. when more than one entity is involved in the execution of the budget. In those cases, the number of the intended user(s) may also increase. | * Check whether the SAI has a policy on identifying the intended users of audit reports of an audit. * Assess if specific processes, systems, guidance and templates are available to help the auditors with identifying the intended users. * Assess if the intended users were identified in the sample of audit files selected and confirm if there is adequate documentation to support the identification. * Assess if specific processes, systems, guidance and templates are available for the auditors to understand the legal status, applicable authorities and related responsibilities of the audited entity. * Assess if the responsibilities of responsible parties and audited entities were identified in the sample of audit files selected. |
| 15 | ISSAI 4000/107  Where the SAI has the discretion to select the coverage of compliance audits, the auditor shall define the subject matter to be measured or evaluated against criteria. | Based on identified audit areas (refer to ISSAI 4000/67), the auditor defines the subject matter of the audit. Once the subject matter is known, auditors can identify related authorities and criteria for the compliance audit.  The subject matter may be set out in the relevant law or audit mandate. In other cases, the selection of the subject matter is a strategic choice to be made by the SAI or auditors and be based on risk assessment and professional judgement.  Subject matter should be of such nature that it enables the auditor to conclude with the necessary level of assurance. It requires gathering sufficient and appropriate audit evidence to support the audit conclusion or opinion. | * Check if the SAI has an appropriate policy for auditors to identify the subject matter of the audit. * Assess if existing processes, systems, tools, templates, etc. made available by the SAI to the auditors help them in identifying the subject matter. * In a suitably sized and representative sample of audit files, examine whether the auditors followed the applicable guidance in identifying the subject matter. |
| 16 | ISSAI 4000/110  Where the SAI has the discretion to select the coverage of compliance audits, the auditor shall identify relevant audit criteria prior to the audit to provide a basis for a conclusion/an opinion on the subject matter. | At the planning phase, the auditor identifies the criteria or the benchmark against which the subject matter is measured.  The auditor derives criteria from applicable laws, legislative acts, parliamentary decisions and other authoritative decisions. These may include the ones taken by courts, directions and guidelines, and agreed upon terms and conditions, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices and benchmarks against which compliance is compared or evaluated.  In an attestation engagement, the auditor can determine the criteria from the presentation of the subject matter information. In these cases, the auditor needs to identify relevant audit criteria to conclude correctness of criteria implicitly given in the subject matter information by the responsible party.  Suitable audit criteria exhibit the characteristics of relevance, completeness, reliability, neutrality, understandability, usefulness, comparability, acceptability and availability.  Where formal criteria are absent, or there are shortcomings in the legislation concerning their application, audits may also examine compliance with the general principles governing the sound financial management and the conduct of public officials (propriety). Suitable propriety criteria for a compliance audit may derive from:  a) Public financial management expectations, e.g. compliance with an effective and efficient internal control system.  b) Beneficiaries’ expectations regarding the utility of goods, or the quality of the services and works.  c) Requirements for a transparent and unbiased allocation of public funds and human resources. | * Check if the SAI has a policy for the auditors to identify suitable criteria for compliance audits. * Check whether the SAI has systems, processes, tools, templates, etc. to help auditors in identifying suitable criteria. * In the sample of audit files selected, examine whether the auditors have followed the procedures required on criteria. |
| 17 | ISSAI 4000/121  Depending on the mandate of the SAI, the characteristics of the subject matter, and the needs of the intended user(s), the auditor shall decide whether the audit shall provide reasonable or limited assurance. | When the auditor identifies the scope and subject matter, he or she also determines the level of assurance of the engagement. Conducting a limited or reasonable assurance engagement is a strategic decision, depends on the SAI mandate and is an organisation-level decision of the SAI.  When assessing the level of assurance, the auditor considers the needs of the intended user(s). The auditor can make the assessment by communicating with the intended user(s) or those charged with governance. There may also be generally accepted practices in the jurisdiction to support the auditor in deciding the level of assurance.  Providing reasonable assurance requires more extensive audit work. Some SAIs have mandated requirements which already define the level of assurance. When the objective is to provide reasonable assurance, the auditor should reduce audit risk to an acceptably low level, given the circumstances of the audit. The audit may also aim to provide limited assurance, in which case the acceptable audit risk is higher than in a reasonable assurance audit. | * Check whether the SAI has a policy on identifying the level of assurance of an audit. * Assess if there are processes, systems and templates available to help the auditors with identifying the level of assurance (reasonable or limited) in compliance audits. * Assess, in the sample of audit files selected, whether the auditors have followed the process, system, templates, etc. in determining the level of assurance to be provided. Confirm if there is adequate documentation to support the decision. * Assess if there is adequate supervision or monitoring in determining the level of assurance. |
| 18 | ISSAI 4000/125  The auditor shall determine materiality to form a basis for the design of the audit, and re-assess it throughout the audit process. | Materiality reflects the assessed needs of the intended user(s), and these needs have to be identified when planning the audit. Based on the selected subject matter, materiality is determined by identifying the level of non-compliance that is likely to influence the decisions of the intended user(s). In identifying materiality, the auditor pays attention to specific areas of legislative focus, public interest or expectations, requests and significant public funding as well as fraud.  Materiality is applied by the auditor in planning and executing the audit, and in evaluating the effect of instances of non-compliance.  In the planning phase, assessing materiality helps the auditor to identify the audit questions which are of importance to the intended user(s).  In performing the audit, the auditor uses materiality in the decision of the extent of audit procedures to be executed and the evaluation of audit evidence.  In evaluating and concluding the audit, the auditor uses materiality to evaluate the scope of work and the level of non-compliance to determine the impact on the conclusion or opinion. | Check if the SAI has a policy on how the auditor shall determine materiality and if the policy requires to apply materiality throughout the audit process: in planning, executing, evaluating and concluding the audit.  Check whether systems, processes and tools are in place to facilitate auditors’ compliance with this requirement in audits.   * In the sample of audit files selected, examine whether the SAI has complied with this requirement in the planning and performing these audits. Also, assess the quality of the documentation of the process and evidence available in the files. |
| 19 | ISSAI 4000/131  The auditor shall have an understanding of the audited entity and its environment, including the entity’s internal control, to enable effective planning and execution of audit. | The auditors are required to obtain an understanding of the audited entity, the requirements, suitable criteria and other circumstances surrounding the audit. This understanding should be sufficient to identify and assess the risks of the audited entity’s non-compliance with the established criteria.  When the auditors understand the audited entity, its environment and relevant programme areas, they get a frame of reference for exercising professional judgement throughout the audit process.  The auditors are required to use their understanding of the audited entity or programme in defining the audit scope regarding the subject matter and the criteria. Further, the auditors should apply this understanding in assessing (a) what can go wrong despite the presence of internal controls (risk assessment) and (b) the materiality associated with the potential instances of non-compliance.  To obtain an understanding of the entity and its environment, the auditor may consider the relevant business, laws and regulations, other external factors, the nature of the entity's operations, governance arrangements, objectives and strategies or performance measures. The auditor documents this understanding in the audit strategy.  The auditor needs to obtain an understanding of the entity’s internal controls relevant to the audit. When the subject matter is determined, the auditor identifies the internal controls that are in place to reduce the risk of non-compliance with criteria or material misstatements in the subject matter information. By using professional judgement, the auditor decides whether the control is relevant to the audit or not. | * Check if the SAI’s policy requires the auditors to understand the audited entity as part of their auditing framework. * Examine whether the SAI has the systems, processes, tools, templates, etc. to help the auditors in obtaining a proper understanding of the audited entity and internal control. * In the audit files selected for review, examine whether the auditors have followed the applicable guidance in obtaining the understanding of the audited entity and internal control. * In the audit files selected for review, examine whether the auditors’ determination of materiality and risk assessment is based on the understanding of the audited entity or programme. |
| 20 | ISSAI 4000/137  The auditor shall develop and document an audit strategy and an audit plan that together describe how the audit will be performed to issue reports that will be appropriate in the circumstances, the resources needed to do so and the time schedule for the audit work. | The audit strategy is the basis for deciding whether the audit is possible to execute. The audit strategy describes what to do, and the audit plan tells how to do it.  The purpose of the audit strategy is to document and design the overall decisions. The audit strategy describes:  • The subject matter, scope, criteria and other relevant characteristics of the compliance audit taking into account the mandate of the SAI  • The type of engagement (attestation engagement or direct reporting engagement)  • The level of assurance to be provided  • The resources necessary to perform a timely audit and the date of quality control  • Communication with the auditee and/or those charged with governance  • Reporting responsibilities, as well as to whom and when such reporting will take place, and in what form  • Composition and work allocation of the audit team, including any need for experts  • The entities included in the audit.  The form and content of the written audit plan may include the following:  • An audit programme; the nature, timing and extent of procedures; and when they will be performed  • An assessment of audit risk and of internal controls relevant for the audit  • The audit procedures designed as a response to audit risk  • The potential audit evidence to be collected during the audit.  Auditors should update the plan, as necessary, to reflect any significant changes to the plan made during the audit. | * Check whether the SAI has a policy that requires following the process suggested in the development of an audit strategy and audit plan. * Assess if the processes, systems, tools and templates are in place to help the auditors in developing the audit strategy and audit plan in the required manner. * In the sample of audit files selected, examine if the auditors have developed an audit strategy and audit plan in the required manner. |

* + 1. Requirements related to performing audit procedures to obtain audit evidence

| No. | ISSAI 4000 requirements | Explanation | Guidance |
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| 21 | ISSAI 4000/144  The auditor shall plan and perform procedures to obtain sufficient and appropriate audit evidence to form a conclusion with the selected level of assurance. | The auditor plans appropriate responses to the assessed risks. Responses to assessed risks include designing audit procedures that address the risks, such as substantive procedures and tests of controls. The evidence-gathering process continues until the auditor is confident that sufficient and appropriate evidence exists to support the agreed level of assurance to support the auditor’s conclusion or opinion.  The quantity of evidence required depends on the audit risk (the higher the risk, the more evidence is likely to be required) and on the quality of such evidence (the higher the quality, the less evidence is required). At the same time, the auditor always assesses that the amount of evidence depends on the specifics of a particular audit, and not only on the quantity or quality of audit evidence. Accordingly, the sufficiency and appropriateness of evidence are interrelated.  Sufficient audit evidence is related to the decision on the level of assurance provided in the audit. To form a conclusion with reasonable assurance, the auditor needs to obtain more evidence than in a limited assurance engagement.    Sufficiency is a measure of the quantity of evidence needed to support the audit findings and conclusions. In assessing the sufficiency of the evidence, the auditor needs to determine whether enough evidence has been obtained to persuade a knowledgeable person that the findings are reasonable.  Appropriateness is a measure of the quality of the evidence, and it encompasses relevance, validity and reliability. Relevance refers to the extent to which the evidence has a logical relationship with, and importance to, the audit issue. Validity refers to the extent to which the evidence has a meaningful or reasonable basis for measuring the subject matter. In other words, validity refers to the extent to which the evidence represents what it is purported to represent. Reliability refers to the extent to which the audit evidence has been gathered and produced with a transparent and reproducible method. | * Check whether the SAI has a policy that requires sufficient and appropriate evidence as to the basis for audit conclusions or opinion. * Examine if there are specific processes, systems, guidance or templates in place to ensure that auditors gather sufficient and appropriate evidence to draw audit conclusions or opinion. * In the sample of audit files selected, examine if the auditors have gathered sufficient and appropriate evidence to draw audit conclusions or opinion. |
| 22 | ISSAI 4000/153  The auditor in an SAI with jurisdictional powers shall perform procedures to obtain sufficient and appropriate audit evidence regarding the liability of the public official who might be held responsible for non-compliance and unlawful acts. | The auditor in SAIs with jurisdictional powers needs to gather sufficient and appropriate evidence regarding the liability of the public official who might be held responsible for non-compliance and unlawful acts.  The evidence-gathering process continues until the auditor in SAIs with jurisdictional powers is satisfied that sufficient and appropriate evidence exists to provide a basis for the auditor’s conclusion on whether persons responsible for the non-compliance are liable for any loss, misuse or waste of public funds and ought to be discharged for their mismanagement.  In SAIs with jurisdictional powers, the auditor evaluates, based on his or her professional judgement, whether there is sufficient and appropriate evidence that the public official can be held personally liable for acts of non-compliance.  Professional judgement in determining whether or not the public official is personally liable for non-compliance acts may include:   * 1. An assessment of the way the public official carried out responsibilities as mentioned by the law or included in the public official’s job description.   2. A determination of whether the public official’s non-compliance or an unlawful act caused the identified loss, misuse or waste of public funds or goods.   3. An assessment of the circumstances for exemption from a possible liability (i.e. force majeure, unforeseeable circumstances).   4. An assessment of the relationships between public accountants and public managers, and the possible effects and consequences non-compliance acts may have. | * Check whether the SAI has a policy that sets liability of the public official who might be held responsible for non-compliance or unlawful acts. * Examine if there are specific processes, systems, guidance or templates in place to ensure that auditors gather sufficient and appropriate evidence for the purpose of determining the liability. * In the sample of audit files selected, examine if the auditors have gathered sufficient and appropriate evidence for the purpose of setting liability. |
| 23 | ISSAI 4000/158  The auditor shall select a combination of audit techniques to be able to form a conclusion with the selected level of assurance. | The auditor performs effective audit procedures in line with the audit plan to gather audit evidence and fulfil the audit objectives. The auditor often needs to combine and compare evidence from sources using different techniques and methods to meet the requirements for sufficiency and appropriateness.  For example, by interviewing management and employees, the auditor may obtain an understanding of how management shares its views on the entity’s practices and ethical behaviour with staff. The auditor determines whether appropriate controls are effective considering, for example, whether management has a written code of conduct and whether the staff follows it in practice. A survey submitted to the employees could explain to what extent the management acts following the code of conduct. Based on the scope, the auditor gathers quantitative or qualitative audit evidence, or a combination thereof.  Evidence-gathering techniques include observation, inspection, inquiry, re-performance, recalculation, external confirmation, substantive testing, the test of controls and analytical procedures. | * Check whether the SAI has a policy requiring the auditors to use a variety of techniques including those listed in the explanation. * Examine if processes, systems, tools or templates are available to the auditors for applying these techniques. * In the sample of audit files selected, examine if the auditors have used appropriate techniques in gathering evidence. * In the sample of audit files selected, examine if there is enough supervision for the above-mentioned process. |
| 24 | ISSAI 4000/170  In SAIs with jurisdictional powers, the inquiry shall be carried out in written form when requested by the national law. | SAIs with jurisdictional powers may use the method of inquiry as set out in the laws governing the auditing procedures. This may involve preparing and sending a written communication to the relevant responsible persons asking for specific information which the audit team considers to be necessary to support the conclusion(s). | * Check whether the SAI has a policy requiring the auditors to use a written form of inquiry when it is required by law. * Examine if processes, systems, tools or templates are available to the auditors for applying these techniques. * In the selected sample audit files, look for documentation of the preparation and send a written communication to the relevant responsible persons requesting specific information that the audit team considers necessary for supporting their conclusion. |
| 25 | ISSAI 4000/172  The auditor shall use audit sampling, where appropriate, to provide a sufficient amount of items to draw conclusions about the population from which the sample is selected. When designing an audit sample, the auditor shall consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn. | A sample may be quantitative or qualitative depending on the audit scope, and on the need for information to throw light on the subject matter from different angles.  The auditor uses quantitative sampling when he or she seeks to conclude on the whole population by testing a sample of items selected from it. In quantitative sampling, the auditor needs to reduce the sampling risk to an acceptable low level. However, the technical approach to quantitative sampling may require statistical techniques.  Qualitative sampling is a particular procedure conducted as a deliberate and systematic process for identifying the factors of variation in the subject matter. The auditor might sample on the basis of characteristics of individuals, groups, activities, processes or the audited entity as a whole. Qualitative sampling requires careful assessment and sufficient knowledge of the subject matter.  When the auditor selects cases for in-depth study, it usually results in relatively small samples that can answer more explorative questions and provide new information, analyses and insight of the subject matter. It may be appropriate to use risk-based sampling instead of a statistical approach when selecting items for testing, for instance, when addressing a significant risk. | * Check whether the SAI has a policy and methodology regarding sampling in conducting compliance audit. * Examine if processes, systems, tools or templates are available to the auditors for applying the sampling techniques. * In the sample of audit files selected, examine if the auditors have used the appropriate sampling techniques. * In the sample of audit files selected, examine if there is enough supervision for the above-mentioned process. |

* + 1. Requirements related to evaluating audit evidence and forming conclusions

| No. | ISSAI 4000 requirements | Explanation | Guidance |
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| 26 | ISSAI 4000/179  The auditor shall compare the obtained audit evidence with the stated audit criteria to form audit findings for the audit conclusion(s). | Criteria (e.g. authorities, rules or regulations governing the particular entity, events and situation) are used to determine the answer to the risk; that is, whether it is compliant or not.  The evidence regarding the condition in the entity is linked to the criteria. Condition refers to the existing situation, identified and documented as evidence during the audit. It is what the auditor found in the audit while comparing the existing situation in the entity with the criteria as a result of the collection of evidence using different procedures.  Gathered evidence, as well as the entity’s views, are evaluated by exercising professional judgement and scepticism. In the evaluation process, the auditor assesses whether there is sufficient and appropriate audit evidence to form a conclusion. For a balanced and objective view, the evaluation process entails considering all evidence provided concerning the audit findings. Here, the auditor considers the auditee response, if new evidence is needed and if the criteria are unequivocal. Also, the auditor analyses potential effects related to economic, functional or service impairment, and these are objectively made and verifiable.  By evaluating the scope of work performed, the auditor determines whether he or she can conclude. If the scope of work is insufficient, the auditor might consider performing further procedures or modifying his or her opinion due to scope limitation. | * Check whether the SAI has a policy to compare the obtained audit evidence with the stated audit criteria during audit work and before the issue of the compliance audit report and if policy requires auditors to assess whether there is sufficient and appropriate audit evidence to form a conclusion. * Assess if processes, systems, tools or templates are available for the auditors to review the evidence on the subject matter’s compliance with the established criteria. * In the sample audit files selected, look for documentation on the performed procedures to form audit findings. |
| 27 | ISSAI 4000/184  Based on the audit findings, and the materiality, the auditor shall draw a conclusion whether the subject matter is, in all material respects, in compliance with the applicable criteria. | The auditor evaluates the audit findings to conclude if the subject matter, in all material respects, is or is not in compliance with the audit criteria. The auditor considers the materiality of non-compliance in making the conclusion. The process for setting materiality needs to be documented.  Depending on the characteristics of the subject matter, the auditor takes into consideration the value, nature and context for materiality. It implies that instances of non-compliance that would be considered material by nature or context by the intended user(s) can also lead to a conclusion on non-compliance.  Materiality by value can involve amounts (monetary amounts) or other quantitative measures, such as, for respective subject matters, the number of citizens or entities involved, carbon emission levels or time delays concerning deadlines.  The auditor may also include:  a) Visibility and sensitivity of the programme in question (for example, is it the subject of significant public interest, does it impact vulnerable citizens?)  b) Needs and expectations of the legislature, the public or other users of the audit report  c) The nature of the relevant authorities | * Check whether the SAI has methodology covering forming a conclusion by considering materiality. * Assess if processes, systems, tools or templates are available for the auditors to form conclusions. * In the sample audit files selected, look for documentation on the conclusion formed and how materiality was applied in doing so. |
| 28 | ISSAI 4000/188  The auditor shall communicate the level of assurance provided in a transparent way. | The auditor needs to state what levels of assurance is provided in the audit, i.e. reasonable or limited. Generally, compliance audit is a direct reporting reasonable assurance engagement. For direct reporting engagements, the auditor needs to implicitly state whether the conclusion is with limited or reasonable assurance. For attestation engagements, the auditor conveys the level of assurance using the standard format of audit opinions.  By stating this, the auditor gives the intended user(s) confidence on the audit results. The auditor can provide this confidence by explaining how he or she develops the findings, criteria and conclusions in a balanced and reasoned manner. | * Check whether the SAI has a policy and methodology to communicate the level of assurance. * Assess if processes, systems, tools or templates are available for the auditors to communicate the level of assurance. * In the sample audit files selected, look for documentation on the communication made by the auditor. |

* + 1. Requirements related to reporting

| No. | ISSAI 4000 requirements | Explanation | Guidance |
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| 29 | ISSAI 4000/191  The auditor shall communicate the conclusion in an audit report. The conclusion can be expressed either as an opinion, conclusion, answer to specific audit questions or recommendations. | The auditor communicates audit results as either a conclusion, opinion, answer to the questions or recommendations. For a reasonable assurance engagement, the auditor gathers sufficient and appropriate audit evidence to conclude whether the subject matter complies in all material respects with identified criteria.  The way of communication is different for direct reporting and attestation engagement.  In a direct reporting reasonable assurance engagements, the auditor communicates through conclusions which explicitly convey the level of assurance, or, by explaining how the auditor develops the criteria, findings and conclusions in a balanced and reasoned manner and why the combinations of findings result in a particular overall conclusion or recommendation.  For a reasonable assurance attestation engagement, the auditor makes a clear statement of the level of assurance, either through standardized opinions or conclusions. The opinion is unmodified when there are no material instances of non-compliance. The auditor modifies his or her opinion in cases of:  a) Material instances of non-compliance: Depending on the extent of the non-compliance, this may result in:  i) A qualified opinion or  ii) An adverse opinion  b) Scope limitation: Depending on the extent of the limitation, this may result in:  iii) A qualified opinion or  iv) A disclaimer  The wording of the opinion should reflect the mandate of the SAI. The auditor may, therefore, use terms as appropriate for the SAI, such as ‘is legal and regular’, ‘is regular’ or ‘has been applied to the purposes intended by the Parliament’.  In a limited assurance engagement, the procedures are limited compared with what is necessary for a reasonable assurance engagement. The auditor concludes that nothing has come to the auditor’s attention to cause the auditor to believe that the subject matter is not in compliance with the applicable criteria. | * Check whether the SAI has a policy and methodology on communicating the conclusion of compliance audits in an audit report. * Assess if there are specific processes, systems, guidance or templates for determining the format of compliance audit conclusion, for direct reporting and attestation engagements. In the selected sample audit files, look for documentation on the conclusion of the audit. |
| 30 | ISSAI 4000/202  The auditor shall prepare an audit report based on the principles of completeness, objectivity, timeliness, accuracy and contradiction. | A written report, setting out findings, opinions, conclusions and recommendations in an appropriate form as applicable, is to be prepared at the end of each audit. The form and content of a compliance audit report should cover these principles:  • The principle of completeness requires the auditor to consider all relevant audit findings before issuing a report.  • The principle of objectivity requires the auditor to apply professional judgement and scepticism to ensure that the report is factually correct and that findings and conclusions are relevant, fair and balanced.  • The principle of timeliness implies preparing the report in due time to be relevant for the intended user(s).  • The principle of accuracy and consultation implies checking the accuracy of facts with the audited entity.  • The principle of contradiction implies incorporating responses from the responsible entity as appropriate and giving answers and assessments of the responses.  The form of the written report may vary depending on the circumstances of the SAI. Some SAIs present extensive reports and do not follow the format of opinion. However, some consistency in the auditor’s report may help users of the report to understand the audit work done and conclusions reached, and to identify unusual circumstances when they arise. | * Check whether the SAI has a policy requiring the audit reports to cover the principles stated. * Assess if auditors have been provided processes, systems, tools or templates to help them in properly incorporating these principles in audit reports. * In the sample audit files selected, examine whether the principles are applied while preparing the audit reports. |
| 31 | *Report structure for direct reporting engagement*  ISSAI 4000/210: The audit report shall include the following elements (although not necessarily in this order):   1. Title 2. Identification of the auditing standards 3. Executive summary (as appropriate) 4. Description of the subject matter and the scope (extent and limits of the audit) 5. Audit criteria 6. Explanation and reasoning for the methods used 7. Findings 8. Conclusion(s) based on answers to specific audit questions or opinion 9. Replies from the audited entity (as appropriate) 10. Recommendations (as appropriate) | The executive summary of the work performed and methods used helps the intended user(s) understand the auditor’s conclusion. For many audits, wide variations in procedures are possible. In practice, however, these are difficult to communicate clearly and unambiguously. Hence, the executive summary of the work performed and methods used needs to give a brief explanation for the reader on how the auditor performed the audit.  The audit criteria section could explicitly mention the laws, legislation, rules and regulations used in the audit as criteria.  The findings section comprises the auditor’s comparison of the obtained evidence against the stated criteria and how this comparison has led to the audit findings.  Incorporating responses from the audited entity indicates agreement to take action on the matter reported. Discussing the draft report findings with the audited entity helps ensure that these are complete, accurate and fairly presented.  For significant compliance deviations, the auditor can provide recommendations if there is potential for improvement. It may be helpful to the user(s) that the auditor highlights ongoing corrective actions.  Constructive and practical recommendations could assist in promoting sound public sector management, but the auditor should be careful not to provide such detailed recommendations as if assuming the role of management and thereby risk impairing objectivity.  Recommendations might be issued separately from the report as they are usually written mainly for the management of the audited entity. In these instances, the recommendations might be issued separately in a letter to management. | * Check whether the SAI has a policy or methodology which requires including all elements of a report. * Assess if there are specific processes, systems, guidance or templates for determining the format of compliance audit reports, ensuring that all required elements are included. * In the sample of audit files selected, examine whether the audit report included all elements as suggested in the requirement. |
| 32 | *Report structure for an attestation engagement*  ISSAI 4000/218: The audit report shall include the following elements (although not necessarily in this order):  a) Title  b) Addressee  c) Description of the subject matter information, and when appropriate, the underlying subject matter  d) Extent and limits of the audit, including the time period, covered  e) Responsibilities of the responsible party and the auditor  f) Audit criteria  g) Identification of the auditing standards and level of assurance  h) A summary of the work performed and methods used  i) Opinion/conclusion  j) Replies from the audited entity (as appropriate)  k) Report date  l) Signature | In some SAIs, the results from the compliance audit are reported together with the audit of the financial statements. The SAI then makes sure that the requirements are covered either through separate compliance audit elements or as part of the financial audit elements. Usually, the auditor does not include recommendations in the attestation engagement report. Recommendations might be issued separately in a letter to the management. | * Check whether the SAI has a policy or methodology which requires including all elements. * Assess if there are specific processes, systems, guidance or templates for determining the format of compliance audit reports, ensuring that all required elements are included. * In the sample of audit files selected, examine whether the audit report included all elements as suggested in the requirement. |
| 33 | *Additional report structure - SAIs with jurisdictional powers*  ISSAI 4000/221: In the SAIs with jurisdictional powers, the auditor shall consider the role of the prosecutor or those responsible for dealing with judgment issues within the SAI, and shall also include, as appropriate, the following elements in both direct reporting and attestation engagements:  a) Identification of the responsible parties and the audited entity  b) The responsible person(s) involved and their responsibilities  c) Identification of the auditing standards applied in performing the work  d) Responsibilities of the auditor  e) A summary of the work performed  f) Operations and procedures etc. that are affected by non-compliance acts and/or possible unlawful acts. This needs to include, as appropriate:   * + A description of the finding and of its cause   + The legal act which has been infringed (the audit criteria)   + The consequences of the non-compliance acts and/or possible unlawful acts   g) The responsible persons and their explanations regarding their non-compliance act and/or possible unlawful acts, when appropriate  h) The auditor’s professional judgment which determines whether there is personal liability for non-compliance acts  i) The value of the loss/misuse/waste created and the amount to be paid due to personal liability  j) Any measures taken by responsible persons during the audit to repair the loss/misuse/waste created  k) The management’s arguments on the non-compliance/unlawful acts | In SAIs with jurisdictional powers, the user(s) of compliance audit reports include the prosecutor or those responsible for dealing with judgment issues within the SAI.  For acts of non-compliance, SAIs with jurisdictional powers may set personal liability or conclude for discharge. Usually, these are proposals, and a jurisdictional process delivers the final decision on personal liability and sanctions. Personal liability can be measured by the extent of the involvement in a non-compliant (illegal, unnecessary, excessive, extravagant, unconscionable) transaction as indicated in the documents of the transaction that he  In the report, the auditor needs to explain the methods applied in determining whether the responsible person involved in administering, managing, utilizing or controlling public funds or assets is liable for the acts of non-compliance or not. | * This is applicable for SAIs with jurisdictional powers. * If applicable, check whether the SAI has a policy or methodology that requires including all elements. * Assess if there are specific processes, systems, guidance or templates for determining the format of compliance audit reports, ensuring that all required elements are included. * Examine in the sample audit files selected whether the audit report included all elements as suggested in the requirement. |
| 34 | ISSAI 4000/225  In conducting compliance audits, if the auditor comes across instances of non-compliance which may be indicative of unlawful acts or fraud, s/he shall exercise due professional care and caution and communicate those instances to the responsible body. The auditor shall exercise due care not to interfere with potential future legal proceedings or investigations. | As the SAIs have different mandates and organizational structures, it is up to them to determine the appropriate action regarding instances of non-compliance related to fraud or unlawful acts.  The auditor may consult with legal counsel or appropriate regulatory authorities. The auditor may also communicate their suspicions to the appropriate levels of management or those charged with governance, and then follow up to ascertain that the entity took appropriate actions.  A court of law can determine whether a particular transaction is illegal and constitutes a criminal offence. However, SAIs with jurisdictional powers may also conclude that a particular transaction is illegal and may justify imposing sanctions on the responsible person and decide for reimbursements of funds, misappropriated assets and excessive or improper payments.  Although auditors do not determine if an illegal act constitutes a criminal offence or if civil liability has occurred, they do have a responsibility to assess whether the transactions concerned comply with applicable laws and regulations. Auditors also determine whether they constitute infringements that lead the court to impose sanctions or reimbursement of excessive or improper payments or misappropriated assets.  SAIs with jurisdictional powers may communicate unlawful acts to the prosecution body which decides whether or not the court of justice should deal with the case.  If suspicion of unlawful acts arises during the audit, the auditor may communicate this to the appropriate levels of management and those charged with governance. Those charged with governance are likely to be ministry or administrative bodies higher up in the reporting hierarchy. Where appropriate and reasonable, the auditor may follow up and ascertain that management or those charged with governance have taken appropriate action in response to the suspicion; for example, by reporting the incident to the relevant law enforcement authorities. The auditor may also report such incidents directly to the relevant law enforcement authorities. | * Check whether the SAI has a policy that requires auditors to exercise due professional care and caution and communicate those instances of non-compliance which may be indicative of unlawful acts or fraud to the responsible body. * Assess the processes, systems, tools and templates which are in place to help the auditors in proper consideration of the relationship between public entities, especially to handle fraud risk. * In the sample of audit files selected, examine if auditors have considered the relationship between the public entities in the fraud risk assessment process. * Examine, in the sample of the selected audit files, if there is evidence of the communication of the cases of non-compliance detected in the audit, which can be an indicator of illegal acts or fraud, to the responsible body. |

* + 1. Requirement related to follow-up

| No. | ISSAI 4000 requirement | Explanation | Guidance |
| --- | --- | --- | --- |
| 35 | ISSAI 4000/232  The auditor shall decide to follow up on opinions/conclusions/recommendations of instances of non-compliance in the audit report when appropriate. | The follow-up process allows the SAIs to monitor whether appropriate corrective actions have been implemented by the responsible party to address the instances of non-compliance identified in a previous audit report(s). The SAI should follow up on its recommendations to be able to provide the intended users with an update on the responsible party’s actions and initiatives taken towards compliance.  The need to follow up previously reported instances of non-compliance varies with the nature of the subject matter and the non-compliance identified and the particular circumstances of the audit. In some SAIs, including SAIs with jurisdictional powers, the follow-up may include issuing legally binding reports or judicial decisions. In audits carried out on a regular basis, the follow-up procedures may form part of the subsequent year’s risk assessment. Follow-up can be in the form of formal reporting by the auditor to the legislature, as well as to the audited entity or other appropriate bodies. Other follow-up processes may include reports, internal reviews and evaluations prepared by the audited entity or others and a follow-up audit.  Follow-up serves many purposes for the three parties. These include:  • For the responsible party: Demonstrates the audited entity’s effectiveness in addressing the issues.  • For the intended user: Provides an update on what has been achieved by the responsible party and the existing gaps, if any.  • For the auditor: Assesses the effectiveness of its work. | * Check whether the SAI has a follow-up policy to (a) provide useful feedback to the audited entity, (b) facilitate effective implementation of corrective actions and (c) keep the intended users informed of the implementation status of its recommendations made in previous years, where appropriate. * Assess if processes, systems, tools, templates, etc. enable the SAI to (a) provide feedback to the audited entity, (b) follow up on its recommendations with the audited entity or responsible party and (c) keep the intended users informed of the compliance status of the audit recommendations of the previous year(s). * In the sample of audit files selected, examine whether the follow-up process worked as intended. This would require (a) identifying the sample of recommendations from the selected audit files, (b) checking how the SAI followed up on those recommendations and (c) checking whether the compliance status of the audit recommendations of the previous year(s) were communicated to the intended users. |

1. Writing the CA iCAT Report

**The iCAT report**

The end product of the iCAT process is the report. The report includes the information gathered in the completed iCAT tool and the analysis of the information.

The report provides an overall picture of the SAI’s existing compliance audit practices compared with the requirements of ISSAI 4000. It identifies the areas where implementation efforts are needed to make the SAI’s compliance audit ISSAI compliant.

The team presents the iCAT report to the SAI management to inform about the compliance audit practices which are consistent with ISSAI 4000 and where the SAI needs to take necessary actions for implementation. The report provides recommendations for the SAI to decide on the appropriate ISSAI implementation strategy. The SAI can link the development of this strategy with its overall strategic planning process based on the output of the ISSAI implementation needs assessment process, as explained in section 2.

**Considerations for writing the iCAT report**

Highlight the key messages

Important messages from the iCAT process should be highlighted in the executive summary. SAI management can have a good overview of the SAI’s audit practice and the issues that need to be addressed to ensure full ISSAI compliance. The report needs to state what is in place, the gaps in the methodology and practice, and the reasons for the gap. The SAI management can then decide on what could be done to move the SAI’saudit practices towards full ISSAI compliance.

Involve the entire team in developing the report

At the end of the process, the team would have gathered sufficient information about different requirements. As the issues identified during the iCAT exercise are probably interrelated, if the iCAT team was divided to gather information, it would be beneficial for the team to work together to prepare the report.

Distinguish between institutional issues and audit-level issues

When the iCAT team reports on the status of the SAI audit practices, it should distinguish between gaps related to the institutional level and gaps related to the audit level. For example, if the SAI audit manual does not cover an element of a requirement, it can affect the audit practice. Fixing the manual should be addressed at the institutional level. However, there could be cases where the audit manual covers all aspects of the requirement. Still, the auditor may have failed to apply that in the audit. For example, it could be due to the lack of competence or lack of understanding of the standards. The SAI may address this by providing training to the audit teams.

Consider the report attributes

We recommend writing a comprehensive, convincing, timely, reader-friendly and balanced iCAT report.

A comprehensive report includes all the information and arguments needed to address the issues presented while being sufficiently detailed to provide an understanding of the current status regarding audit practices and audit methodology, compared with ISSAI requirements.

A convincing report is logically structured and presents the situations persuasively, objectively and accurately.

A timely report is issued on time to make the information available for use by management, such as an input for the ISSAI implementation strategy or as part of the ISSAI implementation needs assessment.

A reader-friendly report uses simple, clear and unambiguous language.

A balanced report includes both audit practices that are already ISSAI compliant and areas where implementation efforts are needed, and it is impartial in content and tone.

**iCAT report structure**

We recommend including the following components in the iCAT report.

Key messages

The main messages for addressing ISSAI implementation needs of the SAI could be highlighted in the key messages. We recommend keeping this very brief and focused. This section should be targeted to SAI top management.

iCAT methodology and quality assurance arrangements

This includes a brief explanation of the methodology used, the people involved and the arrangements made to ensure the quality of the iCAT.

Key conclusions and recommendations for implementing compliance audit ISSAIs

The iCAT team can write key conclusions and recommendations for each stage of the compliance audit process (planning, conducting, reporting, follow-up), or the team can write recommendations thematically. There may be conclusions and recommendations that cut across different stages of the audit.

In writing conclusions, the iCAT team will reflect on what is in place and what needs further work for full compliance with applicable compliance audit ISSAIs. The conclusion needs to be balanced, presenting what is already in place when it comes to complying with the requirements and what needs to be done to reach full ISSAI compliance.

In using the information gathered through the iCAT tool, the iCAT team will summarise and analyse the data gathered and draw connections to arrive at balanced conclusions and doable recommendations. For example, the team may find that for several requirements, audit supervision was not adequate, and for that, the team can consolidate and summarise these under a common heading of ‘Audit supervision’.

In conducting an iCAT, we are not looking for an overall conclusion. We are looking to identify specific needs for ISSAI implementation so that the SAI can build a strategy for moving towards full compliance with compliance audit ISSAIs. For example, in the planning phase, the SAI may be strong on the selection of audit topics but may not be strong in the documentation of the overall planning process.

We recommend writing practical recommendations based on the findings of the earlier steps of ISSAI implementation needs assessment and from the causes of the situations found in the iCAT. The recommendations need to be specific and feasible and need to consider the local context of the SAI and the stakeholders’ expectations. Recommendations may cover, among others, the areas of SAI staff professionalisation, enhanced audit methodologies, methodology implementation mechanisms, SAI policy and the quality management systems.

We recommend including information about the iCAT team and period of the iCAT exercise as an annex to the report, e.g. the format below could be used.

|  |  |
| --- | --- |
| Period of iCAT | [Data of beginning and date of completion] |
| iCAT team | |
| Team leader | [Name] |
| Team member 1 | [Name] |
| Team member 2 | [Name] |
| Team member 3 | [Name] |

The iCAT team could also include information about the sample selected as an annex. An example of a format is below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Audit sample 1 | Audit sample 2 | Audit samples 3, 4 |
| Title of audit |  |  |  |
| Audit team | Audit supervisor  Team leader  Team members |  |  |

The iCAT report is an important part of the needs assessment process. Together with the mapping of SAI current audit practices, it will provide valuable inputs to the SAI in formulating its ISSAI implementation strategy.

1. ISSAI: International Standards of Supreme Audit Institutions. The ISSAIs are the authoritative international standards on public sector auditing. <https://www.issai.org/about/> [↑](#footnote-ref-1)
2. <http://www.idi.no/en/idi-library/global-public-goods> [↑](#footnote-ref-2)