Chapter 8
How do you follow-up on audit results?

This chapter discusses the importance of following up on performance audit findings and recommendations and when to do so.

This chapter will answer the following questions:

- What is performance audit follow-up?
- How do you conduct follow-up?
- When do you conduct follow-up?
- How do you determine the impact of the audit?
- How do you report the results of follow-up?

What is performance audit follow-up?

The Standard

The auditor shall follow-up, as appropriate, on previous audit findings and recommendations and the Supreme Audit Institution shall report to the legislature, if possible, on the conclusions and impacts of all relevant corrective actions.

The auditor shall focus the follow-up on whether the audited entity has adequately addressed the problems and remedied the underlying situation after a reasonable period.

Source: ISSAI 3000/136 and ISSAI
Follow-up refers to your examination of the corrective actions taken by the audited entities, or another responsible party, on the findings and recommendations of a performance audit. Follow-up is the last phase of the audit cycle and typically begins after sufficient time has passed for the findings to be addressed and recommendations implemented. It is an independent activity that increases the value of the audit process by strengthening the impact of the audit.

A primary objective of a performance audit is to improve public sector performance and accountability through the implementation of audit recommendations (see Chapter 1). Addressing findings and the timely implementation of audit recommendations is the responsibility of the audited entities. Through a follow-up process, you can monitor whether and how the problems or findings have been addressed, if the underlying situation has been remedied, and if the audit recommendations have been implemented by the audited entities. Remember that it is possible that the auditee has taken other actions to address the finding rather than implementing the recommendation made. If the intent of the recommendation is successfully achieved through these actions, the issue should be considered addressed.

According to INTOSAI P-12, reporting on the follow-up measures taken with respect to audit findings and recommendations is a way to help ensure that those charged with public sector governance discharge their responsibilities and take appropriate corrective action. Depending on the SAI’s mandate and wider constitutional arrangements, stakeholders may include the legislature, its committees and audited entities’ management and governing boards.

In most countries, audited entities are not legally required to implement recommendations made by SAIs. In addition to providing many benefits, as discussed throughout this handbook, developing a good relationship with the audited entities can increase the likelihood that it will address the deficiencies found during the audit and implement the recommendations. During the audit process and within the report itself, it is important that you provide persuasive evidence that addressing the findings and implementing the recommendations will bring considerable benefits to the audited entities, public institutions and the citizens. It is also important that you follow up on these findings and recommendations to determine whether they have been implemented and what effects they have had. Follow-up should focus on whether the audited entity has adequately addressed the deficiencies identified after a reasonable period of time (ISSAI 3000/140). You as an auditor have to assess in each case what is a reasonable timeframe for implementation of recommendations, as you cannot realistically measure results too early following the audit.
Following up on audit findings and recommendations serves several purposes (GUID 3920/146-147):

- **Identify the extent to which audited entities have implemented changes in response to audit findings and recommendations.** Follow-up can help you determine what actions the audited entities has taken to remedy any weaknesses identified as a result of the audit.

- **Determine the impacts which can be attributed to the audit.** The follow-up can reveal cost savings and non-financial improvements that can be attributed to the audits.

- **Identify areas that would be useful to follow up in future work.** Following up on findings and recommendations from previous audits can help the SAI identify cases where it would be worthwhile to conduct a new audit to determine how performance has changed.

- **Evaluate the SAI’s performance.** Follow-up provides a basis for assessing and evaluating SAI performance and may contribute to better knowledge and improved practices in the SAI. In this respect, following up on audit results can serve as a quality assurance tool.

- **Provide feedback to the legislature and government on the impact of the audit.** Follow-up can provide information on the performance and improvements made by the audited entities in response to the audit.

**How do you conduct follow-up?**

It is important that SAIs develop a process to follow up on findings and recommendations made from past performance audits. The audit documentation plays a crucial role in follow-up because, in many cases, the auditors who conduct the follow-up are not the same as those who carried out the audit.

When conducting follow-up, it is important for you, as the auditor, to adopt an unbiased and independent approach for determining whether the audited entity has taken appropriate actions to address the findings and recommendations. In making this determination, you should use the same standards and methods used by the team who conducted the performance audit.

GUID 3920/152 refers to different methods that may be used specifically to follow up on findings and recommendations. The methods to apply will depend on the procedures and priorities established by your SAI. Such methods may include the following:
- Arrange a meeting with the audited entity after a certain period of time has elapsed to find out what actions have been taken in response to the audit findings and recommendations. In addition to the information gathered during the meeting, the audited entity representatives have to provide documentation supporting the corrective actions taken and their effects.

- Request the audited entity to inform the SAI in writing about the actions it has taken or will take to address the findings and recommendations presented in the audit report (see Appendix 21 for an example of obtaining actions in writing).

- Conduct phone calls or limited field visits to collect information on the actions taken by the audited entity. Both need to be documented.

- Keep up to date on reactions from the audited entity and other responsible parties, the legislature and the media to help you determine whether problems identified have been appropriately addressed.

- Request financial and compliance audit teams from your SAI to collect information on the actions taken in response to your findings and recommendations as part of their audit procedures and analyse the information and documents received.

- Carry out a new performance audit if needed. The SAI should decide if it is necessary to conduct a follow-up audit, considering the relevance of the topic and the impact the new audit might achieve. A follow-up audit could also be a way to evaluate situations when a problem remains, even when the recommendations have been implemented.

The procedures you use for developing your audit working papers should also be used to document evidence gathered during follow-up (see Chapter 2 for more information on organising audit work papers). It is also helpful for you to have a framework for assessing evidence and determining whether the findings have been addressed and the recommendations implemented. Appendix 21 contains an illustration that can be used to conduct this assessment. With such a framework, you can assess and document the extent and status of implementing your findings and recommendations. When reviewing evidence on whether the audited entity has fulfilled an audit recommendation, it can also be helpful to have a system for categorising the extent of implementation. For example, you might use the following categories:
• **Fully implemented.** The audited entity has taken actions that address the intent of the recommendation. It is possible that the audited entity addressed the problem with other actions than those recommended.

• **Partially implemented.** The audited entity has taken some actions but has not yet fully implemented the recommendation.

• **Not implemented.** The audited entity has not taken action to implement the recommendation after sufficient time has passed. For example, the deadline identified by the audited entity for the implementation of the recommendation has passed, and the audited entity did not address the recommendation.

• **No longer relevant.** A recommendation has been overcome by events or circumstances and is no longer appropriate.

• **Could not be verified.** The status of the implementation of the recommendation could not be determined. As mentioned, sometimes, the follow-up process may reveal significant issues for further review. If further review is needed, it may be appropriate to carry out a new performance audit. If your SAI decides to conduct a new audit on the same topic, it is important to determine why the previous findings and recommendations have not been addressed. In some cases, other factors may have changed the underlying situation, thus making the recommendations irrelevant or, for reasons unrelated to the audit, the problem no longer exists. All of these are considerations for you to make, along with the appropriate timing for the audit follow-up.

**When do you conduct follow-up?**

Follow-up is typically done periodically as deemed appropriate by the SAI. The priority of follow-up tasks is usually assessed as part of the overall SAI’s audit strategy. Sufficient time has to be allowed to the audited entity to implement appropriate actions. (GUID 3920/148)

Your audit team should begin thinking about follow-up during the course of the audit, and especially as you are drafting the findings and recommendations. In drafting the recommendations, as discussed in Chapter 6, your team has to be mindful to ensure they can be appropriately implemented by the audited entity and that the benefit to be derived is worth the cost to implement them. In addition, toward the end of the audit, it is useful for your audit team to have some high-level conversations with the audited entity’s senior
management to determine procedures that will be followed for contacting the entity for follow-up on the findings and recommendations.

For example, the SAI might work out a process with the audited entities. When discussing the recommendations with the audited entities, it could be helpful to ask them to provide a timeline for implementing the recommendations. This can be valuable, both for the audited entity and the SAI, as it can help in planning the follow-up schedule and the actions to be taken to implement the recommendations. The audited entities can also propose an action plan.

ISSAI 3000/139 requires the auditor to focus the follow-up on whether the audited entities have adequately addressed the problems and remedied the underlying situation after a reasonable period. This reasonable period may depend on the context and nature of audit recommendations provided. Naturally, some recommendations may require a longer period to be implemented, while others may require a shorter period. You also have to consider what type of data can be generated at what time. For example, the effect of the implementation of the recommendations may only be measured after a sufficient time has passed.

Some findings and recommendations may no longer be applicable. As such, when following up, you need to concentrate on those that are still relevant. (GUID 3920/151)

The timing of follow-up constitutes a key management decision to be taken by each individual SAI in accordance with its policies or mandate. For example, the SAI may have a policy of carrying out follow-up work annually regarding the implementation of audit recommendations. This practice may help report results systematically, but there may well be little evidence of impacts in the first year after the publication of the audit report. Whichever reporting period it chooses, the SAI needs to be clear on any inherent limitations of its analysis and report accordingly.

For example:

- In **SAI Brazil**, the follow-up schedule is decided after the analysis of the action plan, which is completed by the audited entity. Time frames for follow-up are determined according to the deadlines identified by the audited entities to implement the recommendations.

- In the **United States GAO**, after conducting and reporting the results of a performance audit, the auditor’s follow-up on the audited entities at least once a year, for four years. They also measure their effect on improving the government’s accountability, operations and services by tracking the percentage of recommendations implemented within four years.
• In **SAI Georgia**, auditors strive to follow up on recommendations twice a year, based on action plans provided by the audited entities. They are also developing an electronic recommendation monitoring system to simplify the process. For important audits, they consider following up on the audits after several years, as appropriate.

• In **SAI Philippines**, auditors enclose in the transmittal of the performance audit report a request for the audited entities to prepare an action plan based on the recommendations embodied in the report. The audited entities complete and provide to the SAI a standardised action plan form within 60 days of receipt of the report. Follow-up on the status of implementation of recommendations is undertaken at year-end.

• In the **European Court of Auditors** and **SAI Norway**, follow-up normally takes place three years after the publication of the performance audit report. This allows sufficient time to pass for the audited entities to implement, if relevant, the audit recommendations.

**How do you determine the impact of the audit?**

One of the reasons to follow-up is to determine the impact the audit has had on improving public policies and service delivery. There are different ways to measure the impact of the implementation of your recommendations. The following examples are adapted from SAI Brazil and GAO:

• **Financial.** Benefits related to reductions in expenses or increases in revenues. For example, the implementation of a recommendation to close a maintenance facility with a low workload resulted in savings of US $50 million.

• **Qualitative and quantifiable.** Benefits related to improvements in performance that can be quantified. For example, the implementation of a recommendation resulted in a 15-day reduction in the waiting time for lung cancer treatment.

• **Qualitative and non-quantifiable.** Benefits related to improvement in performance that cannot be quantified. For example, the implementation of a recommendation resulted in enhanced safety procedures for personnel handling hazardous materials.

The audit impact has to be considered throughout an audit, from the selection of the audit topic through audit follow-up. During the follow-up process, the impact of the audited entities’ implementation of the recommendations can be assessed and measured in different ways. For example, you could compare the situation found during the follow-up with the situation found during the audit to determine any changes. It is important to separate the effects caused by the implementation of the recommendation from changes caused by other factors.
The audited entities may also calculate the impact of the action taken or contract out studies to determine the impact. You could find that an external organisation has independently evaluated the impact of your findings and recommendations.

For example, in the United Kingdom’s National Audit Office, when an audit team was following up on the findings and recommendations of an audit conducted on major trauma centres, they found that an academic study had since been conducted which had measured the impact of the changes made as a result of their audit report. If such studies exist, you can analyse them and assess whether it is possible to use the results as evidence of the impact of the recommendation.

A survey done by EUROSAI has identified six factors that influence audit impact (EUROSAI, 2021). They are:

- Audit report quality.
- Constructive relationship between auditor and audited entities.
- Existence of follow-up system.
- Parliamentary involvement.
- Report the results of the follow-up system.
- Use of the follow-up results for the performance monitoring system and the risk assessment.

**How do you report the results of follow-up?**

SAIs may benefit from a system for reporting on the results of follow-up work. Reporting publicly on the benefits derived from an SAI’s performance audits plays an important role in showing the value the SAI has brought. This can be helpful for an SAI in justifying their budget or resource request and can positively enhance their reputation and credibility.

The results of your follow-up efforts may be reported individually or as a consolidated report which brings together the results of all or portions of your SAI’s follow-up work. Consolidated follow-up reports may include an analysis of common trends and themes across several reporting areas. Whatever the form, all follow-up reports must be balanced, and findings presented objectively and fairly. (GUID 3920/155)

A follow-up report could have the following structure:
1. **Introduction.** Explanation on why the audit was done and information on previous follow-up activities, if any.

2. **Overview.** Brief explanation on the audit topic.

3. **Methodology.** How the follow-up was done.

4. **Audit findings.** This is the main section of the report. It can contain the findings, the respective recommendations and the conclusion on the situation found during the follow-up regarding the implementation of the recommendations.

5. **Comments from the audited entities.** Summary of the comments made on the draft follow-up report.

6. **Conclusion.** Overview of the recommendations’ situation.

**Figure 48** has an illustration of an adapted portion of a follow-up report from SAI Brazil of a performance audit done on a Brazilian programme called ‘Brazil on High-Performance Sports’.
An SAI may also report on the results of their follow-up in other ways. For example, the US GAO maintains a publicly available database of its recommendations and their status. They use this database, in addition to other mechanisms such as their annual Performance and Accountability Report, to help communicate the status of their follow-up and the impact of their work. GAO also publicly reports the percentages of their total recommendations made within the last four years that have been implemented.

The reporting of follow-up has to be conducted in accordance with the established procedures of the SAI. Whether or not it is suitable to issue the follow-up audit report to the...
legislature will depend on how the SAI assesses the significance of the findings, the conclusions and the impacts of the corrective actions taken.

When following up on a performance audit, remember to ...

- monitor whether your findings and recommendations have been addressed;
- report the positive actions taken in responding to the audit recommendations, as this is a credit to both the audited entity and the Supreme Audit Institution (SAI). It can have positive impacts on the SAI’s image, reputation, budget and credibility;
- adopt an unbiased and independent approach for determining whether the audited entity has taken appropriate actions to address the findings and recommendations;
- think about follow-up during the audit, and especially as you are drafting the findings and recommendations;
- assess whether the audited entity’s actions in response to the findings and recommendations are consistent with the same standards and in the same manner you assess evidence collected during the audit; and
- document the audited entity’s actions in your audit work papers and ensure supervisory review.

Source: IDI/PAS Development Team