



Note 4 on the ISSAIs 100, 200, 300 and 400 presented to the XXI INCOSAI

The elements of public sector auditing

ISSAI 100- Fundamental Principles of Public Sector Auditing is a milestone in the development of standards for public sector auditing several reasons; it is the first INTOSAI document to provide a definition of public sector auditing and express what constitutes the common framework for INTOSAI. This is a product of a joint INTOSAI effort, involving input from a large number of INTOSAI members, as well as the expertise of these members.

ISSAI 100 sets out the *elements of public sector auditing* as well as the fundamental principles that must followed in the auditing process. The reasoning behind the elements section is explained in this note.

It has been a purpose of ISSAI 100 to place public sector auditing within the broader field of "auditing" and provide a bridge from the way auditing was originally pinpointed in the Lima declaration to the full set of ISSAIs, which aims to provide an up-to-date set of auditing standards. The Lima Declaration provides that *the concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent--or at least render more difficult--such breaches.* (Cf. ISSAI 1/Principle 1)

The elements section of ISSAI 100 translates this founding principle of INTOSAI into the basic concepts needed for standard-setting purposes - the parties involved, the subject matter and criteria and the objectives of the audit. This provides INTOSAI with a professional language for public sector auditing and a basis for further development of the current auditing guidelines (ISSAI 1000-4999) at level 4 of the ISSAI Framework.

ISSAI 100 thus provides SAIs with the flexibility to conduct a variety of forms of auditing - particularly financial, compliance and performance auditing - and with the professional terminology of public sector auditing as an independent field of auditing with its own professional basis. The project group believes this common professional language will facilitate more efficient knowledge sharing and cooperation and give improved credibility to audit reports of SAIs.

An audit is a structured process with certain common features. However, the constitutional arrangements of SAIs provide specific conditions for conducting and reporting on audits in the public sector. These constitutional arrangements are included in the definition of the three parties and their specific meaning for public sector auditing, which further allows for flexibility in how audits are performed and the application of the professional concepts as follows:

- Audits are defined both as attestation and direct reporting engagements and both is given equal importance
- Direct reporting engagements is defined in a way that aims at the public sector purposes
- Both direct reporting and attestation engagements are explained in relation to the three types of auditing in the public sector – financial, compliance and performance audits

- The assurance provided in public sector audits is explained both in relation to direct reporting and attestation engagements and may be provided in different forms
- Assurance is defined as confidence in the reliability of information provided either by the auditor or the responsible party

The elements section of ISSAI 100 provides the professional foundation and allows for the flexibility needed to encompass the different forms of auditing within INTOSAI, both in the sense of reporting in a short form or a long form or by conveying assurance explicitly or through a logical and balanced report, encompassing both quantitative and qualitative audit approaches.