

INTOSAI



*Compliance Audit in the
Context of Courts of
Accounts*

*Redrafted version
(Call for comments)*

This document is produced by the CAS sub-group in charge of developing a specific ISSAI for compliance auditing in court model. It is basically presented to be a call for comments. All members of the CAS are invited to comment upon this first draft. There are no restrictions on the amendments to be suggested. However, the Sub-group reserves the rights to modify, change, revise, update or delete paragraphs within this document, in the light of any suggested comments, through a future redrafting process.

The sub-group has already put in evidence some specific comments that need to be worked out whether in the framework of the CAS meeting in Brasilia or during the coming phases of the redrafting process. These comments are added in the third column of the table.

It is also worth remembering that the CAS has previously reported to **the PSC steering committee 2013** about the further progress of the work assigned to court model sub-group.

The Sub-group is simply inserting the reporting document submitted to the **PSC steering committee 2013** within a first section in order to set out the framework of the redrafting process. A second section is then dedicated to highlight the fundamental elements and the main issues that make the need for a stand-alone standard relevant. The redrafting version is then given within a table whose form is expected to help readers examine the out-put of the redrafting work and see the differences that make court model specific. It seems suitable to notice that the first column of the table contains ISSAI 400 since it has been agreed this standard to be the starting point of the redrafting process.

Section 1: Reporting to the PSC steering committee 2013: a framework for the redrafting process.

The CAS has reported to the to the PSC steering committee 2013 on the further progress of ISSAI 4300 elaboration with the following words.

Section Compliance Audit is an audit type frequently applied by SAIs organized as courts, and the issue of how to accommodate the special needs of courts in requirements on the audit process has been raised since the first drafts of the ISSAI 4000 series. ISSAI 4100 and 4200 contains an appendix section related to courts, and a CAS subgroup has been working further on expanding the court of accounts issues into an ISSAI format. At the CAS meeting in 2012 a draft ISSAI 4300 on Courts of Accounts issues was discussed by the committee and considered apt for further considerations by the PSC.

CAS hosted a meeting of the court of accounts subgroup in Oslo in January 2013 to discuss the further development of the ISSAI 4300 draft. The meeting also considered the new requirements for development of level 4 coming from the harmonization project and the need for specificity in requirements and restructuring of the ISSAI 4300 draft. The conclusion of the Oslo meeting was that the further process of incorporating the Court of Accounts perspective into the standards must be an integrated part of the maintenance process of the ISSAI 4000 series and hence a separate ISSAI 4300 should not be presented at the present stage.

As a result, the CAS plans to put into discussion in the framework of the next meeting in Brazil the two flowing possibilities:

- 1- Agree on the need of a separate ISSAI for courts model on the basis of a restructured new draft of 4300 that the Subgroup of the court of accounts will submit to the CAS, or

- 2- Agree on incorporating the Court of Accounts perspective into the standards of the ISSAI series as long as the harmonization process would require to keep only one integrated and comprehensive standard for compliance audit.

The project group with the Chair concluded to work towards the integration of the Courts in the level 4, and a first draft of this will be presented at the Brazil meeting in September 2013. The draft will be structured according to the requirements of level 3 in the ISSAI 400, taking the contents of ISSAI 4100 and 4200 into account. It will be written both with intention to be integrated into the existing level 4 in a maintenance process and as a standalone document. There will be a decision at the CAS meeting of further process.

Section 2: Fundamental element and main issues

The subgroup would like to draw the attention of all members to some key issues within the redrafting version. These key issues are considered to be essential to help them notice why compliance auditing in court model is still specific with the requirements and restructuring of the ISSAI 400.

1- A fundamental element : personal liability

The redrafting version emphasizes the fact that the fundamental element that makes compliance auditing in court model specific is mainly related to the duty given to courts through jurisdictional power to assess personal liability. Public officials may be held personally liable for the loss or waste of public funds, i.e. they may be required to repay the full amount related to the non-compliance instances. In addition, possible unlawful acts may lead to penal procedures.

Readers of the current version would notice that the impact of this specific element has been illustrated through the whole document.

2- Key issues

The main issues that sub-group is highlighting are given as follows:

1. Despite covering specific subject matters in the context of court model, ISSAI 4300 does not go beyond the audit phase. These guidelines cover only the audit phase of work carried out by Courts of Accounts but do not cover either the instruction or the judgment phase. As Courts of Accounts perform specific compliance audits within the jurisdictional power granted to them, not all parts of these guidelines may be applicable.
2. The scope of these guidelines coincides with the various duties entitled through jurisdictional power given to Courts of accounts. It includes mainly compliance of personal liability and conformity of budget execution.
3. Compliance auditing may also lead SAIs with jurisdictional powers to pronounce judgments and sanction on people in charge of specific responsibilities in managing public funds. Some SAIs have the capacity to refer to entitled bodies facts subject to criminal prosecution.
4. When auditing personal liability of public officials, public sector auditors in the context of courts of accounts should make sure to obtain reasonable assurance. Conclusions on personal liability cannot be reported with limited assurance.

5. The elements of Compliance auditing in court model cover also personal liability and prescription.
6. In the context of courts of accounts, the subject matter can be directly linked to personal liability. In this case, subject matters are clearly set out by laws and regulations.
7. In the context of courts of accounts, the judgment of materiality may relate to the prosecutor body and judges. Public sectors should make sure that the prosecutor has no doubts concerning the potential materiality of the evidence. They should take into accounts how evidence must be qualified in order to communicate material evidence to the prosecutor body.

ISSAI 400	Suggested rephrasing	Comments and suggestions
<p>INTRODUCTION</p> <p>1. Professional standards and guidelines are essential for the credibility, quality and professionalism of public sector auditing. The International Standards of Supreme Audit Institutions (ISSAIs) developed by the International Organization of Supreme Audit Institutions (INTOSAI) aim to promote independent and effective auditing and support the members of INTOSAI in the development of their own professional approach in accordance with their national laws and regulations and mandate</p>	<p>INTRODUCTION</p> <p>1. Professional standards and guidelines are essential for the credibility, quality and professionalism of public sector auditing. The International Standards of Supreme Audit Institutions (ISSAIs) developed by the International Organization of Supreme Audit Institutions (INTOSAI) aim to promote independent and effective auditing and support the members of INTOSAI in the development of their own professional approach in accordance with their national laws and regulations and mandate</p> <p>2. In order to cope best with regulations and mandate for some specific models, specific guidelines might be elaborated when material proofs related to significant specificities are put in evidence.</p> <p>3. Compliance audits in the context of SAIs with jurisdictional as well as audit functions (the “Court model”) have significant and different specificities compared to those performed by SAIs without jurisdictional functions (the “General Auditor model”). These specificities have highlighted a need for further guidance on compliance audit in the context of the “<i>Court model</i>”</p> <p>4. The nature of jurisdictional audits depends upon the status of each organisation and the legal framework that governs its activity.</p>	<p>This section of ISSAI 400 would not look exactly the same at level 4. But we would have some kind of parallel.</p>
<p>2. ISSAI 400 should be read and understood in conjunction with ISSAI 100, which includes the</p>	<p>5. ISSAI 4300 should be read and understood in conjunction with 4100 and 4200. These</p>	

<p>fundamental principles for public sector auditing in general. The principles of ISSAI 100, including specifically those relating to ethics, independence and quality control, also apply to compliance auditing. ISSAI 400 builds on the fundamental audit principles in ISSAI 100 and develops some of them further to suit the specific context of compliance auditing.</p>	<p>guidelines are referring to ISSAI 400. ISSAI 400 is in conjunction with ISSAI 100, which includes the fundamental principles for public sector auditing in general. The principles of ISSAI 100, including specifically those relating to ethics, independence and quality control, also apply to compliance auditing. ISSAI 400 builds on the fundamental audit principles in ISSAI 100 and develops some of them further to suit the specific context of compliance auditing.</p>	
<p>3. ISSAI 400 constitutes the basis for auditing standards in compliance auditing in accordance with the ISSAIs. ISSAI 400 provides detailed information on the following:</p> <ul style="list-style-type: none"> • The purpose and authority of the ISSAIs on compliance auditing • The framework of compliance auditing and different ways in which it is performed • The elements of compliance auditing • The principles for compliance auditing 	<p>6. ISSAI 4300 ISSAI 400 constitutes the basis for auditing standards in compliance auditing in accordance with the ISSAIs. ISSAI 400 provides detailed information on the following:</p> <ul style="list-style-type: none"> • The purpose and authority of the ISSAIs on compliance auditing • The framework of compliance auditing and different ways in which it is performed • The elements of compliance auditing • The principles for compliance auditing <p>7. Furthermore, for ease of reference in this document, SAIs with a jurisdictional capacity will be referred to as <i>Court(s) of Accounts</i> whereas those SAIs which have no jurisdictional function will be referred to as <i>Audit Office(s)</i>. This does not imply a rank or seniority between these institutions and the use of the word “Court” does not indicate a particular constitutional basis.</p>	

<p>PURPOSE AND AUTHORITY OF THE FUNDAMENTAL PRINCIPLES OF COMPLIANCE AUDITING</p> <p>4. The purpose of the set of ISSAIs¹ on compliance auditing is to provide INTOSAI members with a comprehensive set of principles, standards and guidelines for compliance auditing of a wide range of subject matters, both in terms of audit scope and of qualitative and quantitative nature, being performed by applying various audit approaches and reporting formats.</p>	<p>PURPOSE AND AUTHORITY OF THE COMPLIANCE AUDIT IN COURT MODEL</p> <p>8. The purpose of the set of ISSAIs² on compliance auditing is to provide INTOSAI members with a comprehensive set of principles, standards and guidelines for compliance auditing of a wide range of subject matters, both in terms of audit scope and of qualitative and quantitative nature, being performed by applying various audit approaches and reporting formats.</p> <p>9. Despite covering a specific subjects matters in the context of court model, ISSAI 4300 does not go beyond the audit phase. These guidelines cover only the audit phase of work carried out by Courts of Accounts but do not cover either the instruction or the judgment phase. As Courts of Accounts perform specific compliance audits within the jurisdictional power granted to them, not all parts of these guidelines may be applicable.</p>	<p>This section will need to be reconsidered at level 4, as its present focus is the authority of level 3.</p>
<p>5. ISSAI 400 Fundamental Principles of Compliance Auditing provides the SAI with a fundamental basis for the adoption or development of standards and guidelines relevant for compliance auditing. The</p>	<p>10. ISSAI 400 Fundamental Principles of Compliance Auditing provides the SAI with a fundamental basis for the adoption or development of standards and guidelines</p>	

¹ISSAI 400 and ISSAI 4000 series.

²ISSAI 400 and ISSAI 4000 series.

<p>principles in ISSAI 400 can be used in two ways:</p> <ul style="list-style-type: none"> • To form the basis on which standards are developed or consistent national standards are adopted. • To form the basis for adoption of the Compliance Audit Guidelines (ISSAI 4100 or 4200) as the authoritative standards. 	<p>relevant for compliance auditing. The principles in ISSAI 400 can be used in two ways:</p> <ul style="list-style-type: none"> • To form the basis on which standards are developed or consistent national standards are adopted. <p>To form the basis for adoption of the Compliance Audit Guidelines (ISSAI 4100 or 4200 and 4300) as the authoritative standards</p>	
<p>6. SAIs should only make reference to the Fundamental Principles of Compliance Auditing (ISSAI 400) in audit reports or Auditor’s Reports if the standards they have developed or adopted fully comply with all relevant principles of ISSAI 400. A principle is considered relevant when it deals with the type of audit or combinations of audit types and the circumstance or procedure is applicable. The principles do not override national laws, regulations or mandates.</p>	<p>11. Courts of accounts should only make reference to the guidelines of compliance audit in court model (ISSAI 4300) in audit reports or Auditor’s Reports if the definitions, scope and mandates fully comply with the fundamental element and the relevant key issues. Is considered fundamental element the possibility given to Courts of accounts to assess personal liability. Are considered key issues of these guidelines jurisdictional power, prescription and injunction.</p>	
<p>7. As the Compliance Audit Guidelines have been developed to reflect best practice, SAIs are encouraged to strive towards full adoption of them as their authoritative standards. INTOSAI recognizes that in some environments this might not be possible due to lack of basic requirements in government structure or due to laws or regulations that will not allow for the premises attached to a compliance audit in accordance with level 4. SAIs in such environments have the option to develop standards based on or adopt national standards consistent with the Fundamental Principles of Compliance Auditing.</p>	<p>12. As the Compliance Audit Guidelines in the court model have been developed to reflect best practice, Courts of accounts are encouraged to strive towards full adoption of them as their authoritative standards. INTOSAI recognizes that in some environments this might not be possible due to lack of basic requirements in government structure or due to laws or regulations that will not allow for the premises attached to a compliance audit in accordance with 4300. Courts of accounts in such environments have the option to develop standards based on or adopt national standards consistent with the</p>	

	Fundamental Principles of Compliance Auditing and the relevant key issues of 4300 including mainly, jurisdictional power and prescription.	
8. When adopting or developing auditing standards based on or consistent with the INTOSAI Fundamental Auditing Principles, reference to these in audit reports or Auditor's Report may be done by stating: ... <i>We conducted our audit in accordance with [national standards] based on (or consistent with) the Fundamental Auditing Principles (ISSAI 100-999) of the International Standards of Supreme Audit Institutions.</i>	13. When adopting or developing auditing standards based on or consistent with the INTOSAI Fundamental Auditing Principles and key specificities of court model , reference to these in audit reports or Auditor's Report may be done by stating: ... <i>We conducted our audit in accordance with [national standards] based on the guidelines of compliance audit in court model (or consistent with) the Fundamental Auditing Principles (ISSAI 100-999) of the International Standards of Supreme Audit Institutions.</i>	
9. SAIs in some jurisdictions may choose to adopt the Compliance Audit Guidelines as the authoritative standards for their work. Reference to the use of them as standards may be done by stating: ... <i>We conducted our audit (audits/compliance audits) in accordance with the International Standards of Supreme Audit Institutions (on compliance auditing).</i> The reference may be included in audit reports or Auditor's Report or it may be communicated by the SAI in a more general form covering a defined range of engagements	14. SAIs in some jurisdictions may choose to adopt 4300 as the authoritative standards for their work. Reference to the use of them as standards may be done by stating: ... <i>We conducted our audit (audits/compliance audits) in accordance with the International Standards of Supreme Audit Institutions for compliance audit in Court Model.</i> The reference may be included in audit reports or Auditor's Report or it may be communicated by the SAI in a more general form covering a defined range of engagements	
10. When the ISSAIs on level 4 are used as authoritative standards for a compliance audit conducted together with an audit of financial statements, auditors of public sector entities respect the authority of both the Compliance Audit Guidelines and the Financial Audit	15. Courts of Accounts perform different types of compliance audits. They may perform compliance audits in connection with audits of financial statements, in connection with performance audits or as a separate compliance audit task. They may perform	

<p>Guidelines³.</p>	<p>compliance audits of:</p> <ul style="list-style-type: none"> • accounts of responsible persons, including accountants, authorising officers and managers of public funds; • transactions related to the revenues, expenditures, assets and liabilities of public administrations. These transactions may be performed by public entities, state-owned companies or enterprises, semi-governmental organisations or non-governmental public enterprises, or by the Central Bank <p>16. When the ISSAI 4300 is used as authoritative standards for a compliance audit conducted together with an audit of financial statements, auditors of public sector entities respect the authority of both the Compliance Audit Guidelines and the Financial Audit Guidelines⁴.</p>	
--------------------------------	---	--

³ ISSAI 1000-1810.

⁴ ISSAI 1000-1810.

<p>FRAMEWORK FOR COMPLIANCE AUDITING</p>	<p>FRAMEWORK FOR COMPLIANCE AUDITING IN COURT MODEL</p> <p><i>Scope of the Guidelines</i></p> <p>17. The scope of these guidelines coincide with the various duties entitled through jurisdictional power given to Courts of accounts. It includes mainly complinace of personnal libaility and conformity of budget execution.</p> <p>18. Compliance audit of public accounts or the general state accounts consists of the assessment of whether the financial transactions and information reflected in the accounts prepared by the responsible persons (including accountants, authorising officers and managers of public funds) and the management of the state’s public and private patrimony are in compliance with the authorities which govern them.</p> <p>19. Audit of individual public accounts and audit of the general state accounts may be interrelated. Compliance of general state budget requires that public accounts whose balances are reflected in the state budget, should be individually in compliance. When a non compliance act occurs in one public account, it may be reflected in the general state budget accounts.</p> <p>20. For the purposes of these guidelines,</p>	<p>Should be evaluated the maintenance of items 18-24 (Scope of the Guidelines). The content of 18-24 is detailed in the rest of document below, as well as is reproduced in items 9-10.</p> <p>It deems suitable to distinguish within the 4300 between the scope and the objectives of the compliance audit in context of court model.</p> <p>Paragraphs in the original version remain relevant and comply with the new structure of ISSAI 400.</p> <p>In a court of account, the subject matter and scope of audit can be also determined by request of legislative bodies and other.</p>
---	---	---

	<p>compliance audit and compliance reporting are regarded as related to the audit of public accounts and transactions reflected therein.</p> <p>21. For the purposes of these guidelines, the audit report should include proposals in relation to the liability of responsible persons</p> <p>22. For the purposes of these guidelines, the audit conclusion on the compliance of the general state budget accounts may form part of the auditor's report on the audit of the outturn statement which the government is required to prepare at or after the end of the financial year.</p> <p>23. References to 'compliance audit' throughout this document are understood to be in the context of work carried out by Courts of Accounts on public accounts or on general state budget accounts. Some specific considerations related to other types of compliance audit are additionally set out in these guidelines.</p>	
--	--	--

The objective of compliance auditing

11. Compliance auditing is the independent assessment of whether a particular subject matter is in compliance with applicable authorities⁵ identified as criteria. Compliance auditing is performed by assessing whether activities, financial transactions and information are, in all material respects, in compliance with the authorities which govern the audited entity.

The objective of compliance auditing

24. Compliance auditing is the independent assessment of whether a particular subject matter is in compliance with applicable authorities⁶ identified as criteria. Compliance auditing is performed by assessing whether activities, financial transactions and information are, in all material respects, in compliance with the authorities which govern the audited entity.

25. The objective of compliance auditing is to enable the SAI to address that the activities of public sector entities are in accordance with applicable authorities that govern such entities. This involves reporting on the degree to which the audited entity complies with criteria. The reporting take different forms, either as brief standardized opinions, various forms of conclusions, short or long form reporting. Compliance auditing may encompass the assessment both of compliance with formal criteria of regularity and/or with the general principles of sound public sector financial management and conduct of public sector officials of propriety.

⁵See paragraphs 26-30 Authorities and criteria.

⁶See paragraphs 26-30 Authorities and criteria.

	<p>While <i>regularity</i> is the main focus of compliance auditing, <i>propriety</i> may be pertinent due to the public sector context where expectations as to sound financial management and conduct of public sector officials also exist. Depending on the mandate of the SAI, the audit may, due to these expectations, include propriety aspects which would be part of the audit scope⁷.</p> <p>26. Compliance auditing may also lead SAIs with jurisdictional powers to pronounce judgments and sanction on people in charge of specific responsibilities in managing public funds. Some SAIs have the capacity to refer to entitled bodies facts subject to criminal prosecution.</p> <p>27. Because of the jurisdictional status conferred on SAIs that operate in a Court of Accounts environment, such SAIs have the power to exercise judgements and decisions over the accounts and over responsible persons, including public accountants, authorising officers and managers of public funds.</p>	
<p>12. The objective of compliance auditing is to enable the SAI to address that the activities of public sector</p>		

⁷See paragraph 30 on criteria.

entities are in accordance with applicable authorities that govern such entities. This involves reporting on the degree to which the audited entity complies with criteria. The reporting take different forms, either as brief standardized opinions, various forms of conclusions, short or long form reporting. Compliance auditing may encompass the assessment both of compliance with formal criteria of regularity and/or with the general principles of sound public sector financial management and conduct of public sector officials of propriety. While *regularity* is the main focus of compliance auditing, *propriety* may be pertinent due to the public sector context where expectations as to sound financial management and conduct of public sector officials also exist. Depending on the mandate of the SAI, the audit may, due to these expectations, include propriety aspects which would be part of the audit scope⁸.

Compliance auditing may also lead SAIs with jurisdictional powers to pronounce judgments and sanction on people in charge of specific responsibilities in managing public funds. Some SAIs have the capacity to refer to entitled bodies facts subject to criminal prosecution.

⁸See paragraph 30 on criteria.

Characteristics of compliance auditing

13. The Compliance auditing may be applied in relation to a wide range of subject matters and can be performed with two levels of assurance, reasonable and limited assurance. Compliance auditing comprises several types of criteria, evidence gathering procedures and reporting formats. Compliance auditing encompasses both direct reporting and attestation engagements. The reporting may take either a long or short form and may contain various forms of conclusions. The conclusion may take the form of a clear written expression of a separate opinion on compliance or be expressed as a more elaborated answer to specific audit questions.

Characteristics of compliance auditing in court model

28. ISSAI 400 sets out that “Compliance auditing may be applied in relation to a wide range of subject matters and can be performed with two levels of assurance, reasonable and limited assurance.

In the Context of Court Model, the objective of a compliance audit is to obtain sufficient and appropriate evidence to enable the auditor to provide proposals on the liability of the responsible persons **with reasonable assurance**. When dealing with the general state accounts, the objective of an audit is to obtain reasonable assurance to enable the auditor to provide a conclusion as to whether the general state budget is prepared and executed, in all material respects, in accordance with the general budgetary act or similar legislation.

29. ISSAI 400 sets out that Compliance auditing encompasses both direct reporting and attestation engagements. The reporting may take either a long or short form and may contain various forms of conclusions.

In the context of Court of accounts auditing procedures can give rise to injunctions related to assessing personal liability.

30. The ISSAI 400 sets out that the conclusion may take the form of a clear written expression of a separate opinion on compliance or be expressed as a more elaborated answer to specific audit questions.

On this topic (Characteristics of compliance auditing in court model), after copying text from ISSAI 400, the document makes reference to characteristics specific of courts of accounts. Would be clearer if address the characteristics in the following order, for example: personnel liability; injunctions; judicial function of a Court of Accounts that require reasonable assurance in its audits.

Put in evidence that in the context of court model a specific form of conclusion is significantly relevant namely the injunctions.

Besides being given in written expression and in answer to specific audit question, conclusion might, in the context of court of accounts, be a communication “a specific documentation” to appropriate bodies.

	<p>For Courts of Accounts, the conclusion requires communicate of compliance deviations to the appropriate bodies or open the process leading to a formal judgement on aspects related to the jurisdictional function of the court such as identification of the responsible persons and determination of any potential offence (Issai4100§25).</p> <p>31. The objective of such an audit is also to communicate compliance deviations, or other specific aspects that may relate to the judgement function of a Court of Accounts. Examples may be the identification of the responsible persons, determination of any potential damages and circumstances related to any potential criminal offence or notification to the appropriate bodies for judgements on such matters.</p>	
<p>14. Compliance auditing is often an integral part of the audit mandate for audits of public sector entities. This is because legislation and other authorities are the primary means by which legislatures control income and expenditure, management and due process rights of citizens in the public sector. Public funds are entrusted to public sector entities for their proper management. It is the responsibility of these public sector bodies and their appointed officials to be transparent about their actions, accountable to the citizens for the funds with which they are entrusted, and to exercise good governance over such funds.</p>	<p>32. Compliance auditing is often an integral part of the audit mandate for audits of public sector entities. This is because legislation and other authorities are the primary means by which legislatures control income and expenditure, management and due process rights of citizens in the public sector. For courts of accounts compliance auditing is a main duty related to jurisdictional powers.</p> <p>33. Public funds are entrusted to public sector entities for their proper management. It is the responsibility of these public sector bodies and their appointed officials to be transparent about their actions, accountable to the citizens for the funds with which they are</p>	

	<p>entrusted, and to exercise good governance over such funds.</p> <p>34. In the context of courts of accounts, the appointed officials are subject to personal liability as long as they may be held personally liable for the loss, misuse or waste of public funds or assets.</p>	
<p>15. Compliance auditing promotes transparency by providing reliable reports as to whether funds, management and due process rights of citizens have been undertaken in accordance with applicable authorities. Compliance auditing promotes accountability by reporting deviations and violations from authorities, so that corrective action may be taken, and so that those accountable may be held responsible for their actions. Compliance auditing promotes good governance both by identifying weaknesses and deviations from laws and regulations and by assessing propriety where appropriate laws and regulations are insufficient or where there are obvious gaps in legislation. Fraud and corruption are by their nature elements which counteract transparency, accountability and good stewardship. Hence, compliance auditing promotes good governance in the public sector by addressing the risk of fraud in relation to compliance</p>	<p>35. Compliance auditing in court models promotes transparency by providing reliable reports as to whether funds, management and due process rights of citizens have been undertaken in accordance with applicable authorities.</p> <p>36. Compliance auditing in court model promotes accountability by focusing on assessing personal liability and reporting deviations and violations from authorities, so that corrective action may be taken, and so that those accountable may be held responsible for their actions.</p> <p>37. Compliance auditing promotes good governance both by identifying weaknesses and deviations from laws and regulations and by assessing propriety where appropriate laws and regulations are insufficient or where there are obvious gaps in legislation. Fraud and corruption are by their nature elements which counteract transparency, accountability and good stewardship. Hence, compliance auditing promotes good governance in the public sector by addressing the risk of fraud in relation to compliance and in relation to repairing damages related to fraud by officials who might be held responsible of</p>	

<p>16. Depending on the organizational structure of the public sector and the mandate of the SAI, compliance auditing may cover all levels of government: central, regional, as well as local. Compliance auditing may also be applied to audits of private entities. This could for revenue be tax payers and for expenditure those involved in the management of public property or services, for instance through partnership arrangements or as recipients of public grants or subsidies.</p>	<p>fraud.</p> <p>38. Depending on the organizational structure of the public sector and the mandate of the SAI, compliance auditing may cover all levels of government: central, regional, as well as local.</p> <p>39. The Court of Accounts can be given different mandates to undertake its judicial function of governmental and non-governmental organisations (national, provincial or regional government, local municipal or community bodies).</p> <p>40. Courts of accounts should determine the level to which officials are personally liable in order to determine which authority is entitled to prosecute.</p> <p>41. Compliance auditing may also be applied to audits of private entities. This could for revenue be tax payers and for expenditure those involved in the management of public property or services, for instance through partnership arrangements or as recipients of public grants or subsidies.</p> <p>42. In the case when the Court of Accounts can get access to private sector enterprises or organisations, the audit remains related to public funds. Accountants or other agents are being audited exclusively in relation to public funds. When possible non-compliance acts are identified, the accountants or other agents concerned may be declared “in facto public officials” and a special procedure may be launched</p> <p>43. Courts of accounts may hold officials of</p>	
---	---	--

	<p>private entities liable of non compliance acts through in fact procedures. When they are entitled to do so, courts of accounts require from in fact officials to bring documentation of their management.</p>	
<p>17. In certain countries, the SAI is a court, composed of judges, which has authority over state accountants and other public officials who must render accounts to it. This jurisdictional function requires the SAI to make sure that whoever is charged with dealing with public funds is accountable for those funds and is in this regard subject to its jurisdiction. There exists an important complementary relationship between this jurisdictional authority and the characteristics of compliance auditing. This means that in compliance auditing there might be additional requirements for auditors operating in an environment with a judicial role, such as in court of accounts.</p>		

<p><i>The different perspectives of compliance auditing</i></p> <p>18. Compliance auditing can be carried out in combination with other audit types, but is generally performed either:</p> <ul style="list-style-type: none"> • related to the audit of financial statements (in which case ISSAI 4200 provides additional guidance), or • separately from the audit of financial statements (in which case ISSAI 4100 provides additional guidance), or • together with performance auditing. 	<p><i>The different perspectives of compliance auditing</i></p> <p>41. Compliance auditing in the context of courts of accounts can be carried out in combination with other audit types, but is generally performed either:</p> <ul style="list-style-type: none"> • related to the audit of financial statements (in which case ISSAI 4200 provides additional guidance), or • separately from the audit of financial statements (in which case ISSAI 4100 provides additional guidance), or <p>together with performance auditing</p>	
<p><u>Compliance auditing performed related to the audit of financial statements</u></p> <p>19. The legislature as a part of a public democratic process, establishes the priorities concerning public sector income and expenditure, and concerning calculations of and purpose of expenditure and income. The premises and decisions of the legislature are the origins of the authorities governing cash flow in the public sector. These decisions and premises of the legislature form the basis of compliance as the broader perspective of the audit of financial statements in the execution of the budget.</p>	<p><u>Compliance auditing performed related to the audit of financial statement</u></p> <p>42. The legislature as a part of a public democratic process, establishes the priorities concerning public sector income and expenditure, and concerning calculations of and purpose of expenditure and income. The premises and decisions of the legislature are the origins of the authorities governing cash flow in the public sector. These decisions and premises of the legislature form the basis of compliance as the broader perspective of the audit of financial statements in the execution of the budget.</p> <p>43. In court model context, compliance auditing can be performed with relation to audit of financial statements both in the framework of the audit of individual public accounts and the audit of the general state accounts.</p> <p>44. The audit of individual public accounts and the audit of the general state accounts are interrelated. The general state accounts must be in compliance</p>	

	<p>with authorities and with the individual public accounts (i.e. they are the result of their consolidation). Any loss or waste of money in an individual public account is reflected in the general state budget. Even though they are interrelated, these two types of compliance audit have different scope and nature.</p>	
<p>20. The audit of compliance with relevant authorities is often an important part of the mandate of the SAI and integrated with the audit of the financial statements to report on the execution of public budgets.</p>	<p>44. The audit of compliance with relevant authorities is often an important part of the mandate of the Courts of accounts and integrated with the audit of the financial statements to report on the execution of public budgets.</p> <p>45. In general, the mandates of the SAIs determine whether the SAI may carry out compliance audit over the individual public accounts and/or over the general state budget. The scope and the nature of such audits are generally determined by laws, resolutions and guidance governing the audit procedures.</p> <p>46. When the SAI has a legislative mandate to exercise a judicial power function through judgments and decisions, the mandate can be over public accountants only or both public accountants and responsible civil servants. When public accountants are only subject to judicial powers, laws, resolutions and guidance governing the audit procedures indicate with explicit wordings that responsible civil servants are not subject to judicial powers.</p> <p>47. Public sector auditors should keep in mind</p>	

	<p>that the procedures of auditing public accountants and other responsible officials are interrelated both in auditing phase and in reporting phase.</p> <p>48. When the SAIs are entitled with judicial powers in auditing the state budget, mandates can involve providing assistance to the Parliament. Providing assistance to the parliament has to be indicated explicitly.</p> <p>49. In general, when the SAI has legislative judicial function over accountants, other officials or the state budget, no other organisations are entitled with the same powers. When other organisations are involved in dealing with jurisdictional audits over public officials, these organisations provide the SAI with reports, judgements and decisions. The SAI may have the power to review reports, judgements and decisions provided by these organisations.</p>	
<p>21. Laws and regulations are important both in compliance auditing and in the audit of financial statements. Which laws and regulations to apply in either field depends on the objective of the audit: Compliance auditing is the independent assessment of whether a particular subject matter is in compliance with applicable authorities identified as criteria, and focuses on obtaining sufficient and appropriate evidence regarding compliance with the identified criteria. An audit of financial statements focuses on obtaining an understanding of whether the financial statements of</p>	<p>50. Laws and regulations are important both in compliance auditing and in the audit of financial statements. Which laws and regulations to apply in either field depends on the objective of the audit: Compliance auditing is the independent assessment of whether a particular subject matter is in compliance with applicable authorities identified as criteria, and focuses on obtaining sufficient and appropriate evidence regarding compliance with the identified</p>	

<p>the entity is prepared in accordance with an acceptable financial reporting framework and, in relation to laws and regulations, to obtain sufficient and appropriate audit evidence regarding those laws and regulations that have a direct and material effect on the financial statements.⁹ Hence, in the audit of financial statements only those laws and regulations with a direct and material effect on the financial statement are relevant. In compliance auditing any laws and regulations relevant to the subject matter may be applied.</p>	<p>criteria.</p> <p>51. In the context of courts of accounts compliance auditing can be the independent assessment of whether or not a public official can be held liable for non compliance acts.</p> <p>52. An audit of financial statements focuses on obtaining an understanding of whether the financial statements of the entity is prepared in accordance with an acceptable financial reporting framework and, in relation to laws and regulations, to obtain sufficient and appropriate audit evidence regarding those laws and regulations that have a direct and material effect on the financial statements.¹⁰ Hence, in the audit of financial statements only those laws and regulations with a direct and material effect on the financial statement are relevant. In compliance auditing any laws and regulations relevant to the subject matter may be applied.</p> <p>53. In courts model, public sectors auditors should focus on laws and regulations that might be relevant to subject matter as well as to those that might have impact on</p>	
---	---	--

⁹ISSAI1250.
¹⁰ISSAI1250.

	personal liability including setting out which body is entitled to judge officials being held liable.	
22. ISSAI 4200 provides guidance to compliance auditing performed related to the audit of financial statements. These guidelines should be read together with INTOSAI's Financial Audit Guidelines (ISSAI 1000-2999).		
23. Compliance auditing may also be planned, performed and reported on separately from the audit of financial statements. ISSAI 4100 provides guidance on this. Compliance auditing performed as a task of its own may be carried out on a regular basis or on an ad hoc basis as a separate, identifiable audit task related to a specific subject matter chosen for audit.	<p><u>Compliance auditing performed separately from the audit of financial statements</u></p> <p>54. Compliance auditing may also be planned, performed and reported on separately from the audit of financial statements. ISSAI 4100 provides guidance on this. Compliance auditing performed as a task of its own may be carried out on a regular basis or on an ad hoc basis as a separate, identifiable audit task related to a specific subject matter chosen for audit.</p> <p>55. When audit objectives do not cover assessment of personal liability or budget execution, Courts of accounts should refer to ISSAI 4100 in performing compliance auditing.</p> <p>56. When performing audit is related to jurisdictional power, courts of accounts perform compliance auditing referring to ISSAI 4300.</p>	<p>In TCU, <u>compliance audit as a separate task can assess personal liability</u> of manager public funds, that received the resources of funding agreements. In this case, audit team doesn't examine financial statements, but accountability and personal liability, based on ISSAI 4100.</p>
Compliance auditing performed together with performance auditing	Compliance auditing performed together with performance auditing	

<p>24. When compliance auditing is performed as a part of a performance audit, compliance is one of many aspects of economy, efficiency and effectiveness. Non-compliance might be the cause of, an explanation for, or a consequence of, the state of the activities under scrutiny in a performance audit. When performing compliance auditing related to a performance audit, auditors make use of their professional judgment to decide whether performance or compliance is the primary purpose of the audit, and whether to apply the ISSAIs on Performance Audit and/or Compliance Audit as principles to base their auditing standards on or using the ISSAIs on level four as authoritative standards.</p>	<p>57. When compliance auditing is performed as a part of a performance audit, compliance is one of many aspects of economy, efficiency and effectiveness. Non-compliance might be the cause of, an explanation for, or a consequence of, the state of the activities under scrutiny in a performance audit. When performing compliance auditing related to a performance audit, auditors make use of their professional judgment to decide whether performance or compliance is the primary purpose of the audit, and whether to apply the ISSAIs on Performance Audit and/or Compliance Audit as principles to base their auditing standards on or using the ISSAIs on level four as authoritative standards.</p> <p>58. In court model, public sector auditors should determine clearly which are the non compliance acts or deviations that are related to personal liability.</p> <p>59. When a loss or a waste is considered to be a direct result of performance aspects, public sectors auditors should determine clearly whether or not public officials can be held liable for this loss or waste.</p>	<p>In TCU, whether primary focus of the audit is performance, audit team doesn't carry out procedures to identify those responsible for the loss or waste. You must clarify that these procedures are done <u>only if the primary focus of the audit is compliance.</u></p>
<p>ELEMENTS OF COMPLIANCE AUDITING</p> <p>25. The elements of public sector auditing are described in ISSAI 100. This section outlines additional aspects of the elements relevant for compliance auditing. The elements need to be identified by the auditor before conducting a compliance audit.</p>	<p>ELEMENTS OF COMPLIANCE AUDITING IN COURT MODEL</p> <p>60. The elements of public sector auditing are described in ISSAI 100. This section outlines additional aspects of the elements relevant for compliance auditing in Court models. The elements need to be identified by the auditor before conducting a compliance audit</p>	

<p>Authorities and criteria</p> <p>26. Authorities are the most fundamental element of compliance auditing, since the structure and content of authorities furnish the audit criteria and therefore form the basis of how the audit is to proceed under a specific constitutional arrangement.</p>	<p>Authorities and criteria</p> <p>61. Authorities are the most fundamental element of compliance auditing, since the structure and content of authorities furnish the audit criteria and therefore form the basis of how the audit is to proceed under a specific constitutional arrangement.</p>	<p>"Authorities are the sources of audit criteria, and hence a prerequisite for the conducting of a compliance audit".</p>
<p>27. Authorities include rules, laws and regulations, budgetary resolutions, policy, established codes, agreed upon terms or general principles of sound public sector financial management and conduct of public sector officials. Most authorities originate from the premises and decisions of the legislature, but may be issued at a lower level of the organizational structure of the public sector.</p>	<p>62. Authorities include rules, laws and regulations, budgetary resolutions, policy, established codes, agreed upon terms or general principles of sound public sector financial management and conduct of public sector officials. Most authorities originate from the premises and decisions of the legislature, but may be issued at a lower level of the organizational structure of the public sector</p>	
<p>28. Because of the variety of possible authorities, they may have mutually conflicting provisions and be subject to differing interpretations. In addition, subordinate authorities may not be consistent with the requirements or limits of the enabling legislation, and there may be legislative gaps. As a result, to assess compliance with authorities in the public sector it is necessary to have sufficient knowledge of the structure and content of the authorities themselves. This is of particular importance when it comes to identifying the audit criteria, as the sources of the criteria may themselves feature in the audit, both when determining the audit scope and when drawing up the audit findings.</p>	<p>63. Because of the variety of possible authorities, they may have mutually conflicting provisions and be subject to differing interpretations. In addition, subordinate authorities may not be consistent with the requirements or limits of the enabling legislation, and there may be legislative gaps. As a result, to assess compliance with authorities in the public sector it is necessary to have sufficient knowledge of the structure and content of the authorities themselves. This is of particular importance when it comes to identifying the audit criteria, as the sources of the criteria may themselves feature in the audit, both when determining the audit scope and when drawing up the audit findings.</p>	

<p>29. Criteria are the benchmarks used to evaluate or measure the subject matter consistently and reasonably. The auditor identifies criteria on the basis of the relevant authorities. To be suitable, compliance audit criteria must be relevant, reliable, complete, objective, understandable, comparable, acceptable and available. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding.</p>	<p>64. Criteria are the benchmarks used to evaluate or measure consistently and reasonably a subject matter. The auditor identifies relevant criteria on the basis of authorities. Criteria should be suitable and have the following characteristics: relevant, reliable, complete, objective, understandable, comparable, acceptable and available. Criteria should be suitable both in the audit of regularity and of propriety. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding.</p>	
<p>30. Compliance auditing generally comprises the assessment of compliance with formal criteria, such as authorising legislation, regulations issued under framework legislation and other relevant laws, regulations and agreements, including budgetary laws (regularity). Where formal criteria are absent or there are obvious shortcomings in the legislation concerning their application, audits may also examine compliance with the general principles governing sound financial management and the conduct of public officials (propriety). Suitable criteria are needed both in audits focusing on regularity and in audits focusing on propriety. Suitable criteria for a compliance audit of propriety will be either generally-accepted principles or national or international best practice. In some cases they may be uncodified, implicit or based on overriding principles of law.</p>	<p>65. Compliance auditing generally comprises the assessment of compliance with formal criteria, such as authorizing legislation, regulations issued under framework legislation and other relevant laws, regulations and agreements, including budgetary laws (regularity). Where formal criteria are absent or there are obvious shortcomings in the legislation concerning their application, audits may also examine compliance with the general principles governing sound financial management and the conduct of public officials (propriety). Suitable criteria are needed both in audits focusing on regularity and in audits focusing on propriety. Suitable criteria for a compliance audit of propriety will be either generally-accepted principles or national or international best practice. In some cases they may be uncodified, implicit or based on overriding principles of law.</p>	

	<p><i>Prescription</i></p> <p>66. Compliance auditing in court model requires in general taking into considerations prescription rules. Laws set out for each action a time period after which the cause of action ceases. This cause of action fails if it was not started within the prescribed time period.</p>	
	<p>67. Public officials cannot be held indefinitely liable for deficiencies in collecting and utilising public goods, funds or assets or in managing debts and liabilities. Misdemeanours may be time limited. Public sector auditors take into account temporal limitation issues in order to establish the liability of the public officials involved.</p> <p>68. In establishing the personal liability of the public accountants or financial liability of other public officials involved, public sector auditors shall identify:</p> <ul style="list-style-type: none"> a) the applicable prescriptive period; b) any actions interrupting prescription of personal or financial liability; c) the exact time period for which each public official might be held liable. 	

Personal liability

- 69. In the context of courts of accounts, the most fundamental elements of compliance auditing is personal liability. Public officials may be held personally liable for the loss or waste of public funds, i.e. they may be required to repay the full amount related to the non-compliance instances. In addition, possible unlawful acts may lead to penal procedures.
- 70. Personal liability is fundamental because accounting officers, authorising officers and managers of the public sector are obliged to ensure that financial transactions and information reflected in the annual accounts are in accordance with the authorities that govern them. In some jurisdictions they may be held personally or financially liable concerning the impact of compliance deviations.
- 71. Authorising officers and other officials may be held financially liable for faults they made using public funds, i.e. they may be subject to sanctions or penalties. In addition, possible unlawful acts may lead to penal procedures.
- 72. Court(s) of Accounts should plan to take into account public accounts submission. Public sector auditors

Clarify the difference between personally or financially liable (item 71).

identify the list of entities that have submitted their accounts before deciding whether an entity is to be included or not in the audit programme. When an entity fails to comply with the obligation to submit annually the accounts, sanctions may be imposed on it for that failure.

73. When planning and performing compliance audits, public sector auditors operating in a Court of Accounts environment should take into consideration the need to:

- a) identify the person(s) who may be held liable for acts of non-compliance
- b) take into consideration the applicable prescriptive period.
- c) distinguish personal liability for acts of non-compliance from the liability for unlawful acts (suspected fraud and corruption)
- d) Court(s) of Accounts adopt frequently a cyclical approach to their audit work. In this context public sector auditors shall determine the timeframe for each entity planned to be audited.
- e) In determining the time-frame of the audit, public sector auditors shall

In TCU, there isn't a necessary interrelation between the accounts and selected topics of audits, then it is important to clarify this point of view: why cannot specific account be auditable (item 76).

	<p>consider:</p> <ul style="list-style-type: none"> • the degree of interrelation of the accounts. A specific account may not be auditable unless a previous interrelated one has already been audited; • the periodicity of the audit; and • the results of the previous audit performed concerning the entity 	
<p>Subject matter</p> <p>31. The subject matter of a compliance audit is defined in the scope of the audit. The subject matter of compliance audits can be activities, financial transactions and information .For attestation engagements on compliance it is more relevant to identify the subject matter information. The subject matter information maybe a statement of compliance in accordance with an established and standardized reporting framework.</p>	<p>Subject matter</p> <p>74. The subject matter of a compliance audit is defined in the scope of the audit. The subject matter of compliance audits can be activities, financial transactions and information .For attestation engagements on compliance it is more relevant to identify the subject matter information. The subject matter information maybe a statement of compliance in accordance with an established and standardized reporting framework</p>	
<p>32. The subject matter of a compliance audit depends on the mandate of the SAI, the relevant authorities and the scope of the audit. Hence, the content and scope of compliance audit subject matters vary widely. Compliance audit subject matters may either be general or specific in nature. Some subject matters are quantitative and can often be easily measured (for example; payments which do not fulfill certain conditions), while others are qualitative and more subjective in nature (for example; behavior or adherence to procedural requirements).</p>	<p>75. The subject matter of a compliance audit depends on the mandate of the SAI, the relevant authorities and the scope of the audit. Hence, the content and scope of compliance audit subject matters vary widely. Compliance audit subject matters may either be general or specific in nature. Some subject matters are quantitative and can often be easily measured (for example; payments which do not fulfill certain conditions), while others are qualitative and more subjective in nature (for example; behavior or adherence to procedural requirements).</p>	

	<p>76. In the context of courts of accounts, the subject matter can be directly linked to personal liability. In this case, subject matters are clearly set out by laws and regulations.</p>	
<p><i>The three parties of compliance auditing</i></p> <p>33. Compliance auditing is based on a three party relationship, where an auditor aims to obtain sufficient, appropriate audit evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users, other than the responsible party, about the measurement or evaluation of a subject matter against criteria.</p>	<p><i>The three parties of compliance auditing</i></p> <p>77. Compliance auditing is based on a three party relationship, where an auditor aims to obtain sufficient, appropriate audit evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users, other than the responsible party, about the measurement or evaluation of a subject matter against criteria</p>	
<p>34. In compliance auditing the responsibility of the auditor is to identify the elements of the audit, assess whether a particular subject matter is in compliance with the identified criteria and issue a compliance audit report.</p>	<p>78. In compliance auditing the responsibility of the auditor is to identify the elements of the audit, assess whether a particular subject matter is in compliance with the identified criteria and issue a compliance audit report.</p> <p>79. In addition to this responsibility, in the context of court model, the auditor shall identify officials who can be held liable and to make proposals for any eventual prosecution procedures".</p>	
<p>35. <i>The responsible party</i> is the executive branch of government and/or its underlying hierarchy of public sector officials and entities responsible for the management of public funds and the exercise of authority under the control of the legislature. Their responsibility is to manage funds and exercise authority in accordance with the authorities. The responsible party in compliance auditing is responsible</p>	<p>80. <i>The responsible party</i> is the executive branch of government and/or its underlying hierarchy of public sector officials and entities responsible for the management of public funds and the exercise of authority under the control of the legislature. Their responsibility is to manage funds and exercise authority in accordance with the authorities. The responsible party in compliance auditing</p>	

<p>for the subject matter of the audit.</p>	<p>is responsible for the subject matter of the audit. In the context of courts of accounts, they can be personally liable.</p>	
<p>36. <i>The intended users</i> are the individuals, organizations or classes thereof for whom the auditor prepares the audit report. In compliance auditing the users usually include the legislature as representatives of the citizens, who are the ultimate users of compliance audit reports. The legislature makes decisions and fixes priorities concerning calculations of and purpose of public sector expenditure and income. The primary user in compliance auditing is often the entity issuing the authorities identified as criteria of the audit.</p>	<p>81. <i>The intended users</i> are the individuals, organizations or classes thereof for whom the auditor prepares the audit report. In compliance auditing the users usually include the legislature as representatives of the citizens, who are the ultimate users of compliance audit reports. The legislature makes decisions and fixes priorities concerning calculations of and purpose of public sector expenditure and income. The primary user in compliance auditing is often the entity issuing the authorities identified as criteria of the audit.</p> <p>82. In the context of court models the intended users can include prosecution bodies and jurisdictional courts.</p>	
<p>37. The relationship between the three parties needs to be viewed within the context of the specific audit and may differ between direct reporting and attestation engagements. Who to define as the three parties may also differ between different public sector entities.</p>	<p>83. The relationship between the three parties needs to be viewed within the context of the specific audit and may differ between direct reporting and attestation engagements. Who to define as the three parties may also differ between different public sector entities.</p> <p>84. In the context of courts of accounts relations between the three parties can be defined in laws and regulations.</p>	

<p><i>Assurance in compliance auditing</i></p> <p>38. An auditor performs procedures to reduce or manage the risk of providing incorrect conclusions, recognizing that there are inherent limitations in all audits. These limitations mean that an audit can never provide absolute assurance of the condition of the subject matter. This should be communicated in a transparent way. A compliance audit will in most cases not cover all elements within a subject matter, which means that an approach for sampling in qualitative and/or quantitative terms needs to be applied.</p>	<p><i>Assurance in compliance auditing</i></p> <p>85. An auditor performs procedures to reduce or manage the risk of providing incorrect conclusions, recognizing that there are inherent limitations in all audits. These limitations mean that an audit can never provide absolute assurance of the condition of the subject matter. This should be communicated in a transparent way. A compliance audit will in most cases not cover all elements within a subject matter, which means that an approach for sampling in qualitative and/or quantitative terms needs to be applied</p>	
	<p>86. Compliance auditing in court model should allow obtaining reasonable assurance allowing the auditor to provide a conclusion on the personal liability a public official.</p>	
<p>39. Compliance auditing performed by obtaining assurance enhances the confidence of the intended users in the information provided by the auditor or a party other than the auditor.</p> <p>In compliance auditing there are <i>two levels of assurance</i>: either as <i>reasonable assurance</i> conveying that in the auditor's opinion the subject matter is / is not in compliance, in all material respects, with the stated criteria or as <i>limited assurance</i> conveying that nothing has come to the auditor's attention to cause the auditor to believe the subject matter is not in compliance with the relevant criteria. Reasonable and limited assurance can be applied both in direct reporting and attestation engagements in compliance auditing.</p>	<p>87. Compliance auditing performed by obtaining assurance enhances the confidence of the intended users in the information provided by the auditor or a party other than the auditor.</p> <p>In compliance auditing there are <i>two levels of assurance</i>: either as <i>reasonable assurance</i> conveying that in the auditor's opinion the subject matter is / is not in compliance, in all material respects, with the stated criteria or as <i>limited assurance</i> conveying that nothing has come to the auditor's attention to cause the auditor to believe the subject matter is not in compliance with the relevant criteria. Reasonable and limited assurance can be applied both in direct reporting and</p>	

attestation engagements in compliance auditing.

88. When auditing personal liability of public officials, public sector auditors in the context of courts of accounts should make sure to obtain reasonable assurance. Conclusions on personal liability cannot be reported with limited assurance.

PRINCIPLES FOR COMPLIANCE AUDITING

40. A compliance audit is a systematic process of objectively obtaining and evaluating evidence of whether a particular subject matter is in compliance with identified criteria. The principles below are fundamental to the conducting of a compliance audit. The nature of the audit is iterative and cumulative, but for the purposes of presentation in this ISSAI the principles have been grouped into principles that the auditor should consider prior to commencement and at more than one point throughout the audit process (general principles) and those principles related to steps in the audit process itself (principles related to the audit process)

PRINCIPLES FOR COMPLIANCE AUDITING

89. A compliance audit is a systematic process of objectively obtaining and evaluating evidence of whether a particular subject matter is in compliance with identified criteria. The principles below are fundamental to the conducting of a compliance audit. The nature of the audit is iterative and cumulative, but for the purposes of presentation in this ISSAI the principles have been grouped into principles that the auditor should consider prior to commencement and at more than one point throughout the audit process (general principles) and those principles related to steps in the audit process itself (principles related to the audit process).

General principles

Quality control

41. Auditors should take responsibility for the overall quality of the compliance audit.

The auditor is responsible for the performance of the compliance audit and should implement quality control procedures during the audit. The quality control procedures are aimed at ensuring that the audit complies with the applicable standards and that the audit report, conclusion or opinion is issued in the appropriate circumstances

General principles

Quality control

90. Auditors should take responsibility for the overall quality of the compliance audit.

The auditor is responsible for the performance of the compliance audit and should implement quality control procedures during the audit. The quality control procedures are aimed at ensuring that the audit complies with the applicable standards and that the audit report, conclusion or opinion or **injunction** is issued in the appropriate circumstances.

The General principles are basically relevant in the context of courts of accounts.

Audit team management and skills

Audit team management and skills

<p>42. Auditors should have access to the necessary skills. The individuals in the audit team should collectively possess the knowledge, skills and expertise necessary to successfully complete the compliance audit. This includes an understanding of and practical experience of the type of audit being undertaken; an understanding of the applicable standards and authorities; an understanding of the audited entity’s operations; and the ability and experience to exercise professional judgment. Consistent for all compliance audits are the needs for recruiting personnel with suitable qualifications, developing and training employees, the preparation of manuals and other written guidance and instructions concerning the conduct of audits, and the assignment of sufficient resources for the audit. Auditors should maintain professional competence through continuing professional development.</p> <p>Audits may require specialized techniques, methods or skills from disciplines not available within the SAI. External experts may be used in different ways e.g. to provide knowledge or conduct specific work. Auditors should evaluate whether the expert have the necessary competence, capabilities and objectivity and determine whether the work of the expert is adequate for the purpose of the audit.</p>	<p>91. Auditors should have access to the necessary skills. The individuals in the audit team should collectively possess the knowledge, skills and expertise necessary to successfully complete the compliance audit. This includes an understanding of and practical experience of the type of audit being undertaken; an understanding of the applicable standards and authorities; an understanding of the audited entity’s operations; and the ability and experience to exercise professional judgment. Consistent for all compliance audits are the needs for recruiting personnel with suitable qualifications, developing and training employees, the preparation of manuals and other written guidance and instructions concerning the conduct of audits, and the assignment of sufficient resources for the audit. Auditors should maintain professional competence through continuing professional development.</p> <p>Audits may require specialized techniques, methods or skills from disciplines not available within the SAI. External experts may be used in different ways e.g. to provide knowledge or conduct specific work. Auditors should evaluate whether the expert have the necessary competence, capabilities and objectivity and determine whether the work of the expert is adequate for the purpose of the audit.</p>	
<p><u>Audit risk</u> 43. Auditors should consider audit risk throughout the audit process.</p>	<p><u>Audit risk</u> 92. Auditors should consider audit risk throughout the audit process.</p>	

<p>A compliance audit should be performed so as to reduce or manage, to an acceptable level in the circumstances of the audit, the risk that the audit report or Auditor's Report, conclusion or opinion may be inappropriate. Consideration of audit risk is relevant in both attestation and direct engagements. The auditor should consider three different dimensions of audit risk: inherent risk, control risk and detection risk, in relation to the subject matter and the reporting format, i.e. whether the subject matter is quantitative or qualitative and whether the audit will give an opinion or a conclusion. The significance of the dimensions of audit risk for the audit is affected by the nature of the subject matter, whether the audit is performed as a reasonable assurance or limited assurance audit and whether it is a direct reporting or an attestation engagement.</p>	<p>A compliance audit should be performed so as to reduce or manage, to an acceptable level in the circumstances of the audit, the risk that the audit report or Auditor's Report, conclusion or opinion may be inappropriate. Consideration of audit risk is relevant in both attestation and direct engagements. The auditor should consider three different dimensions of audit risk: inherent risk, control risk and detection risk, in relation to the subject matter and the reporting format, i.e. whether the subject matter is quantitative or qualitative and whether the audit will give an opinion or a conclusion. The significance of the dimensions of audit risk for the audit is affected by the nature of the subject matter, whether the audit is performed as a reasonable assurance or limited assurance audit and whether it is a direct reporting or an attestation engagement.</p>	
--	--	--

	<p>93. In the context of courts of courts, the significance of the dimensions of audit risk for the audit is affected by the nature of the personal liability, whether officials can be held personally liable or not.</p>	
<p><u>Materiality</u></p> <p>44. Auditors should consider materiality throughout the audit process.</p> <p>A matter may be judged material if knowledge of it would be likely to influence the decisions of intended users. Determining materiality is a matter of professional judgement and is based on the auditor’s interpretation of the needs of the users. The judgment may relate to an individual item or to a group of items in aggregate. Materiality is often considered in terms of value, but has both quantitative and qualitative aspects. The inherent characteristics of an item or a group of items may also render a matter material by its nature. A matter may also be material because of the context in which it occurs.</p> <p>Materiality in compliance auditing consists of both quantitative and qualitative factors, and the qualitative aspects of materiality generally play a greater role in the public sector than in other types of entities. Materiality is considered both for planning purposes, for purposes of evaluating the evidence obtained and for purposes of reporting. An essential part of determining materiality is to consider whether reports of compliance or non-compliance could reasonably be expected to influence the decisions of the intended users, including the consequences of potential</p>	<p><u>Materiality</u></p> <p>94. Auditors should consider materiality throughout the audit process.</p> <p>A matter may be judged material if knowledge of it would be likely to influence the decisions of intended users. Determining materiality is a matter of professional judgement and is based on the auditor’s interpretation of the needs of the users. The judgment may relate to an individual item or to a group of items in aggregate. Materiality is often considered in terms of value, but has both quantitative and qualitative aspects. The inherent characteristics of an item or a group of items may also render a matter material by its nature. A matter may also be material because of the context in which it occurs.</p> <p>95. In the context of courts of accounts, the judgment of materiality may relate to the prosecutor body and judges. Public sectors should make sure that the prosecutor has no doubts concerning the potential materiality of the evidence. They should take into accounts how evidence must be qualified in order to communicate material</p>	<p>For the courts of accounts, as long as the final conclusion to be made by the judges depend upon the materiality level, public sectors auditors should take into accounts specific elements related to materiality for penal or civil law.</p>

or identified instances of non-compliance. Factors to be considered within this judgment are mandated requirements, public interest or expectations, specific areas of legislative focus, requests and significant funding. Issues at a lower level of value or incidence other than the general determination of materiality, like fraud, may also be considered material. Assessment of materiality requires comprehensive professional judgment of the auditor and is related to the scope of the audit.

evidence to the prosecutor body.

96. Materiality in compliance auditing consists of both quantitative and qualitative factors, and the qualitative aspects of materiality generally play a greater role in the public sector than in other types of entities. Materiality is considered both for planning purposes, for purposes of evaluating the evidence obtained and for purposes of reporting. An essential part of determining materiality is to consider whether reports of compliance or non-compliance could reasonably be expected to influence the decisions of the intended users, including the consequences of potential or identified instances of non-compliance. Factors to be considered within this judgment are mandated requirements, public interest or expectations, specific areas of legislative focus, requests and significant funding. Issues at a lower level of value or incidence other than the general determination of materiality, like fraud, may also be considered material. Assessment of materiality requires comprehensive professional judgment of the auditor and is related to the scope of the audit.

Professional judgment and skepticism

45. Auditors should plan and perform the audit with professional skepticism. When planning, performing, concluding and reporting a compliance audit, the auditor should exercise professional judgment.

The terms "professional skepticism" and "professional judgment" are to be used when formulating requirements relating to the auditor's decisions about the appropriate course of action and to express the attitude of the auditor that includes a questioning mind.

The concept of professional judgment is applied by the auditor in all stages of the audit process. The term "professional judgment" means: the application of relevant training, knowledge and experience, within the context provided by auditing standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit.

The concept of "professional skepticism" is fundamental to all audits. The auditor plans and performs an audit with an attitude of professional skepticism recognizing that circumstances may exist that cause the subject matter to be in non-compliance with authorities. An attitude of professional skepticism means that the auditor makes a critical assessment, with a questioning mind, of the sufficiency and appropriateness of evidence obtained throughout the audit.

Professional judgment and skepticism is used throughout the compliance audit process to assess the elements of the audit, the subject matter, suitable criteria, the audit scope,

Professional judgment and skepticism

97. Auditors should plan and perform the audit with professional skepticism. When planning, performing, concluding and reporting a compliance audit, the auditor should exercise professional judgment.

The terms "professional skepticism" and "professional judgment" are to be used when formulating requirements relating to the auditor's decisions about the appropriate course of action and to express the attitude of the auditor that includes a questioning mind.

The concept of professional judgment is applied by the auditor in all stages of the audit process. The term "professional judgment" means: the application of relevant training, knowledge and experience, within the context provided by auditing standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit.

The concept of "professional skepticism" is fundamental to all audits. The auditor plans and performs an audit with an attitude of professional skepticism recognizing that circumstances may exist that cause the subject matter to be in non-compliance with authorities. An attitude of professional skepticism means that the auditor makes a critical assessment, with a questioning mind, of the sufficiency and appropriateness of evidence obtained throughout the audit.

<p>risk, materiality and the audit procedures as a response to the defined risks. Professional judgment and skepticism is also used in the evaluation of evidence and instances of non-compliance, in reporting and in determining form, content and frequency of communication throughout the audit. Specific requirements for maintaining professional judgment and skepticism in compliance auditing are the competence in analyzing the structure and contents of public authorities as a basis for identifying suitable criteria or gaps in legislation, in case of complete or partial absence of laws and regulations, and applying professional audit concepts in the approach to known and unknown subject matters. The auditor should be able to judge the relevance and source of a variety of types of audit evidence related to the audit scope and subject matter and evaluate the sufficiency and appropriateness of evidence obtained by the end of the audit.</p>	<p>Professional judgment and skepticism is used throughout the compliance audit process to assess the elements of the audit, the subject matter, suitable criteria, the audit scope, risk, materiality and the audit procedures as a response to the defined risks. Professional judgment and skepticism is also used in the evaluation of evidence and instances of non-compliance, in reporting and in determining form, content and frequency of communication throughout the audit. Specific requirements for maintaining professional judgment and skepticism in compliance auditing are the competence in analyzing the structure and contents of public authorities as a basis for identifying suitable criteria or gaps in legislation, in case of complete or partial absence of laws and regulations, and applying professional audit concepts in the approach to known and unknown subject matters. The auditor should be able to judge the relevance and source of a variety of types of audit evidence related to the audit scope and subject matter and evaluate the sufficiency and appropriateness of evidence obtained by the end of the audit.</p>	
--	--	--

Documentation

46. Auditors should prepare sufficient audit documentation.

Documentation should be prepared on a timely basis. The documentation should provide a clear understanding of the criteria used, the scope of the audit, the judgments made, the evidence obtained and conclusions reached. Documentation should be in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the following; the relationship between the subject matter, the criteria, the scope of the audit, the risk assessment, the audit strategy and audit plan and the nature, timing and extent and the results of procedures performed; the audit evidence obtained to support the auditor's conclusion, opinion or report; and to record reasoning on all significant matters that required the exercise of professional judgment and related conclusions. The auditor should prepare relevant audit documentation before the audit report or the Auditor's Report is issued, and the documentation should be retained for an appropriate period of time.

98. Documentation:

Auditors should prepare sufficient audit documentation.

Documentation should be prepared on a timely basis. The documentation should provide a clear understanding of the criteria used, the scope of the audit, the judgments made, the evidence obtained and conclusions reached. Documentation should be in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the following; the relationship between the subject matter, the criteria, the scope of the audit, the risk assessment, the audit strategy and audit plan and the nature, timing and extent and the results of procedures performed; the audit evidence obtained to support the auditor's conclusion, opinion or report; and to record reasoning on all significant matters that required the exercise of professional judgment and related conclusions. The auditor should prepare relevant audit documentation before the audit report or the Auditor's Report is issued, and the documentation should be retained for an appropriate period of time.

	<p>99. In the context of courts of accounts documentation is a central element in planning compliance audit of individual public accounts. In this case, auditors in Courts of Accounts identify the list of entities that have submitted or should submit their accounts before deciding whether an entity is to be included or not in the audit programme.</p> <p>100. When an entity fails to comply with the obligation to submit the accounts or other relevant documents, sanctions may be imposed.</p>	
--	--	--

Communication

47. Auditors should establish good communication throughout the audit process.

Communication takes place in all audit phases; before the audit starts, during the initial planning phase, during the performance phase, and during the reporting phase. Any significant difficulties encountered during the audit, as well as instances of material non-compliance should be communicated to the appropriate level of management or those charged with governance. The auditor should communicate the audit criteria to the responsible party. Determining the form, content and frequency of communication is a matter of professional judgment.

Communication

101. Auditors should establish good communication throughout the audit process.

Communication takes place in all audit phases; before the audit starts, during the initial planning phase, during the performance phase, and during the reporting phase. Any significant difficulties encountered during the audit, as well as instances of material non-compliance should be communicated to the appropriate level of management or those charged with governance. The auditor should communicate the audit criteria to the responsible party. Determining the form, content and frequency of communication is a matter of professional judgment.

102. Communication between Courts of Accounts and public accountants and other public officials who have been subject to audit procedures may be set out by laws that define precisely when and how the audit team can communicate with the audited person. Communication may take place at various phases, for example:

- a) before the audit mission – this may include informing the audited entity about the upcoming audit and asking the public officials to make sure that all documents and necessary information should be prepared for the beginning of the audit.
- b) during the submission of the public accounts and underlying documents. This phase includes asking the public officials to

	<p>complete documentation if any document is detected to be missing.</p> <ul style="list-style-type: none">c) during the performance phase, including gathering evidence and sending letters to collect further information. Auditors in Court of Accounts should privilege written communication, because correspondence can be useful to support a conclusion in particular when they receive no answer to communications they have sent;d) during the reporting phase, including issuing written reports on a timely basis to the intended users. The list of the intended users may be determined by the law which identifies to whom the final report must be sent for reply. This may include the relevant public accountant, other officials or the relevant public entity.e) during the follow-up phase. The list of intended users may include the Parliament, the Government or local authorities.	
--	--	--

Principles related to the audit process

Planning and designing a compliance audit

Audit scope

48. Auditors should determine the audit scope.

In cases where the mandate of the SAI or the legislation does not prescribe the audit scope, the auditor should determine it. The audit scope is a clear statement of the focus, extent and boundary of the audit in terms of the subject matter being in compliance with the criteria. The scoping of the audit is influenced by materiality, risk and determine which authorities and which parts thereof will be covered. The audit process as a whole should be designed to cover the scope of the audit.

Principles related to the audit process

Planning and designing a compliance audit

Audit scope

103. In general, the mandates of the SAIs determine whether the SAI may carry out compliance audit over the public accounts and/or over the general state budget accounts. The scope and the nature of such audits are generally determined by laws, resolutions and guidance governing the audit procedures
104. When the SAI has a legislative mandate to exercise a jurisdictional function through judgments and decisions, the mandate can be only over public accountants or over public accountants and other responsible civil servants. Laws, resolutions and guidance governing the audit procedures should indicate with explicit wordings the persons who may be subject to jurisdictional powers.
105. The audit scope is a clear statement of the focus, extent and boundary of the audit in terms of the subject matter being in compliance with the criteria. The scoping of the audit is influenced by materiality, risk and determines which authorities and which parts thereof will be covered. It can be in the context of courts of accounts be influenced by the list of public officials who are assigned to manage public funds and hence to be eventually held personally liable.
106. In all cases, the audit process as a whole should be designed to cover the scope of the audit.

Subject matter and criteria

49. Auditors should identify the subject matter and suitable criteria.

Determination of the subject matter and criteria is one of the first steps to be carried out in a compliance audit. The subject matter and criteria may be prescribed in the mandate of the SAI or in the legislation. The subject matter may also be identified by the auditor. For attestation engagements on compliance it may also be relevant to identify the subject matter information.

Subject matters may take many forms and have many characteristics. When identifying the subject matter, the auditor should develop an analysis of the audited entity assessing materiality and risk, whilst applying professional judgment and skepticism.

The subject matter should be identifiable and it should be possible to assess the subject matter against suitable criteria. Furthermore, the subject matter should be of such a nature that it is possible to gather sufficient appropriate audit evidence about the subject matter to support the audit report, conclusion or opinion.

The auditor should identify suitable criteria. The criteria provide a basis for evaluating audit evidence, developing audit findings and concluding. The criteria should be made available to the intended users and others as appropriate. They should also be communicated to the responsible party.

Subject matter and criteria

107. Auditors should identify the subject matter and suitable criteria.

Determination of the subject matter and criteria is one of the first steps to be carried out in a compliance audit. The subject matter and criteria may be prescribed in the mandate of the SAI or in the legislation. The subject matter may also be identified by the auditor. For attestation engagements on compliance it may also be relevant to identify the subject matter information.

108. When performing compliance audits of public accounts or of the general state budget accounts, auditors in Courts of Accounts also need to:

a) Obtain reasonable assurance as to whether the information presented in the public accounts and the underlying transactions are in compliance, in all material respects, with the authorities that govern them

b) Determine whether the execution of the state budget and the management of the state's public and private patrimony have been carried out in compliance, in all material respects, with the governing authorities and with individual public accounts (ISSAI 4100, §185)

109. In performing compliance audit of the general state budget accounts, auditors in Courts of Accounts shall plan and perform suitable procedures to determine, whether budgetary transactions and the management of the state's public and private patrimony are in compliance, in

all material respects, with the authorities governing the budget execution. They shall also determine whether the general state budget accounts are, in all material respects, in compliance with the individual public accounts.

110. In performing an audit of individual public accounts, auditors in Courts of Accounts shall determine the appropriate materiality level that allow them to conclude, whether, in all material respects, the activities, financial transactions and information regarding the establishment and use of public funds and the management of the state's public and private patrimony are in compliance with the authorities which govern the audited entity.

111. Considerations in regard to determining appropriate materiality may include the following:

- a) the consequences of the non-compliance/unlawful act on the individual public accounts and in relation to budget appropriations or the entity's patrimony,
- b) the significance in relation to legislative oversight of executive bodies, or other principles concerning the roles of different public sector bodies,
- c) the significance in relation to fundamental principles of law,
- d) the significance in relation to guaranteed rights of citizens and communities in relation to public sector bodies,
- e) the significance in relation to legality, transparency and accountability in public administration and other principles of good governance

<p><i>Understanding the entity</i></p> <p>50. Auditors should understand the audited entity in light of the authorities governing it.</p> <p>Compliance auditing covers all levels of the executive and can include various administrative levels, types of entities and also combinations of entities. Hence, the auditor should understand the structure and operations of the audited entity and the approach of the entity to achieve compliance. On the basis of this, the auditor determines materiality and assesses risk.</p>	<p><i>Understanding the entity</i></p> <p>117. Compliance auditing covers all levels of the executive and can include various administrative levels, types of entities and also combinations of entities. Hence, the auditor should understand the structure and operations of the audited entity and the approach of the entity to achieve compliance. On the basis of this, the auditor determines materiality and assesses risk.</p> <p>118. In the context of courts of accounts, public sector auditors should understand how personal liability is linked to structure of entities and operations executions.</p>	
<p><i>Understanding internal control and control environment</i></p> <p>51. Auditors should understand the control environment and the relevant internal controls and consider whether they are likely to ensure compliance.</p> <p>In understanding the audited entity and/or subject matter relevant to the scope of the audit, the auditor should understand the control environment. A control environment is the culture of honesty and ethical behavior needed to provide the foundation for other components of internal control established to ensure compliance with authorities. In compliance auditing a control environment with focus on achieving compliance is of particular importance.</p> <p>In understanding the audited entity or the subject matter, the auditor should understand internal controls. The</p>	<p><i>Understanding internal control and control environment</i></p> <p>119. In understanding the audited entity and/or subject matter relevant to the scope of the audit, the auditor should understand the control environment. A control environment is the culture of honesty and ethical behavior needed to provide the foundation for other components of internal control established to ensure compliance with authorities. In compliance auditing a control environment with focus on achieving compliance is of particular importance.</p> <p>In understanding the audited entity or the subject matter, the auditor should understand internal controls. The particular type of controls which the auditor focuses on depends on the subject</p>	

particular type of controls which the auditor focuses on depends on the subject matter and the nature and scope of the particular compliance audit. The scope of the audit may be to assess a qualitative or quantitative subject matter, and hence the auditor will focus on quantitative or qualitative internal controls, or a combination thereof, according to the scope of the audit. In evaluating internal control, the auditor assesses the risk that the internal controls may not prevent or detect material instances of non-compliance. The auditor should consider whether the internal controls correspond with the control environment so as to ensure compliance with authorities in all material respects.

matter and the nature and scope of the particular compliance audit. The scope of the audit may be to assess a qualitative or quantitative subject matter, and hence the auditor will focus on quantitative or qualitative internal controls, or a combination thereof, according to the scope of the audit. In evaluating internal control, the auditor assesses the risk that the internal controls may not prevent or detect material instances of non-compliance. The auditor should consider whether the internal controls correspond with the control environment so as to ensure compliance with authorities in all material respects.

120. In court model, the compliance audit of public accounts or the general state budget accounts, includes understanding and evaluating controls which assist public accountants and other officials in complying with laws and regulations.

121. Internal control of public accounts may be exercised by officials who are external to the entity being audited. Such officials are nevertheless considered to be part of internal control in the sense that they are internal to the government.

122. In evaluating internal control, auditors in Courts of Accounts shall check that the public accounts submitted to the Court of Accounts are officially certified by a competent body and are reliable.

Risk assessment

52. Auditors should perform a risk assessment to identify risks of non-compliance.

In light of the criteria, scope and characteristics of the audited entity, the auditor should perform a risk assessment to determine the nature, timing and extent of audit procedures to be performed. In the risk assessment the auditor considers the risk of non-compliance in the subject matter. The risk of non-compliance may arise due to fraud, error, to the inherent nature of subject matter and/or the circumstances of the audit. The identification of risks and their impact on the audit procedures should be considered throughout the audit process. As part of the risk assessment, the auditor should evaluate any breaches detected to determine whether they are material.

Risk assessment

123. Auditors should perform a risk assessment to identify risks of non-compliance.

In light of the criteria, scope and characteristics of the audited entity, the auditor should perform a risk assessment to determine the nature, timing and extent of audit procedures to be performed. In the risk assessment the auditor considers the risk of non-compliance in the subject matter. The risk of non-compliance may arise due to fraud, error, to the inherent nature of subject matter and/or the circumstances of the audit. The identification of risks and their impact on the audit procedures should be considered throughout the audit process. As part of the risk assessment, the auditor should evaluate any breaches detected to determine whether they are material.

124. Auditors in Courts of Accounts should assess risks of non-compliance acts. In assessing such risks, they should consider the possibility that inappropriate proposals may be made in relation to the liability of the responsible persons which may lead to the report being subject to an appeal.

125. In assessing the risk of material non-compliance, auditors in Courts of Accounts shall assess the possibility that an inappropriate conclusion could be given on the compliance of the general state budget execution with authorities which may result in an inadequate decision of the Parliament.

Risk of fraud

53. Auditors should consider the risk of fraud.

If the auditor comes across instances of non-compliance which may be indicative of fraud, he or she should exercise due professional care and caution so as not to interfere with potential future legal proceedings or investigations.

Fraud in compliance auditing relates mainly to the execution of public authority, but also to fraudulent reporting on compliance issues. Instances of noncompliance with authorities may constitute deliberate misuse of public authority for improper benefit. Execution of public authority includes decisions, non-decisions, preparatory work, advice, information handling and other acts in public service. The improper benefits are advantages of non-economic nature or economic value or of an intentional act by one or more individuals among management, those charged with governance, employees or third parties.

While detecting fraud is not the main objective of performing a compliance audit, the auditor should include fraud risk factors in their risk assessments, and remain alert for indications of fraud in carrying out their work.

Risk of fraud

126. Auditors should consider the risk of fraud.

If the auditor comes across instances of non-compliance which may be indicative of fraud, he or she should exercise due professional care and caution so as not to interfere with potential future legal proceedings or investigations.

Fraud in compliance auditing relates mainly to the execution of public authority, but also to fraudulent reporting on compliance issues. Instances of noncompliance with authorities may constitute deliberate misuse of public authority for improper benefit. Execution of public authority includes decisions, non-decisions, preparatory work, advice, information handling and other acts in public service. The improper benefits are advantages of non-economic nature or economic value or of an intentional act by one or more individuals among management, those charged with governance, employees or third parties.

While detecting fraud is not the main objective of performing a compliance audit, the auditor should include fraud risk factors in their risk assessments, and remain alert for indications of fraud in carrying out their work.

126. Auditors in Courts of Accounts need to consider that personal liability of non-compliance acts is distinct from liability for unlawful acts. These two types of irregular acts may be subject to different reporting and follow-up procedures.

	<p>127. Auditors in Courts of Accounts need to remain aware that personal liability for a non compliance act can be linked to an unlawful act. The Court of Accounts must inform the prosecution body who decides whether or not the case should be treated in a court of justice.</p>	
--	--	--

	<p>128.Courts of Accounts should perform compliance audits and judge non-compliance acts within different structures in order to avoid conflict of interest. Transmission of the case from one structure to the next is normally made through the prosecution body within the Court.</p>	<p>The structure of SAI is subject of ISSAI level 2, not level 4. Reassess the inclusion in this item.</p>
<p>Audit strategy and audit plan 54. Auditors should plan the audit by developing an audit strategy and an audit plan. The planning of the audit should involve discussions between relevant members of the audit team to develop an audit strategy and an audit plan. Both the audit strategy and the audit plan should be documented in writing. Planning is not a distinct phase of the audit, but a continuous and iterative process.</p>	<p>Audit strategy and audit plan Auditors should plan the audit by developing an audit strategy and an audit plan. 129.The planning of the audit should involve discussions between relevant members of the audit team to develop an audit strategy and an audit plan. Both the audit strategy and the audit plan should be documented in writing. Planning is not a distinct phase of the audit, but a continuous and iterative process. 130.Courts of Accounts develop audit strategies and audit programmes (annual and/or multi-annual programmes) that may entail a wide range of audit tasks. Development of audit programmes may be imposed by law governing the audit procedures of these SAIs and can be developed with regard to the applicable prescriptive period. The audit programmes may contain certain audits to be performed on a yearly basis. The audit plan may be modified to reflect changing circumstances, the final decisions being made by the collegiums or equivalent.</p>	<p>Items 130 and 131 describe how to do audit strategy and audit plan, however they should reflect guidelines.</p>

131. In some cases Courts of Accounts develop audit programmes with regard to the prescriptive period to ensure the audit of each public entity within the prescription period so that corrective measures may be taken. This is because public accountants and other officials may not be held liable for non-compliance acts (deficiencies in collecting and using public funds or in managing the state public and private patrimony) if these acts had occurred before the prescribed time period. The auditing of each public entity should be determined in order to avoid the failure of action.

132. Courts of Accounts may select and perform audits with complete discretion. In other cases, they may be constrained by authorities to perform certain compliance audits.

133. In establishing the annual audit programme, auditors in Court of Accounts consider:

- a) the scope and characteristics of the compliance audit, taking, in particular, into account the procedures for selecting the individual public accounts or entities to be audited;
- b) amendments made by the collegiums;
- c) records and documentations of the discussions and decisions on audit risk, materiality and timing of the audit;
- d) changes in the initial circumstances which may lead to program adjustments.

Audit evidence

55. Auditors should gather sufficient and appropriate audit evidence to cover the scope of the audit.

The auditor should gather sufficient appropriate audit evidence to provide the basis for the report, conclusion or opinion. **Sufficiency** is the measure of the quantity of evidence. **Appropriateness** is the measure of the quality of evidence; that is its relevance, validity, and its reliability. The quantity of evidence needed is affected by the audit risk (the greater the risk, the more evidence is likely to be required) and also by the quality of such evidence (the higher the quality, the less may be required). Accordingly, the sufficiency and appropriateness of evidence are interrelated. However, merely obtaining more evidence does not compensate for its poor quality. The reliability of evidence is influenced by its source and nature, and is dependent on the individual circumstances under which the evidence is obtained. The auditor should consider both the relevance and reliability of information to be used as audit evidence. The auditor has to respect the confidentiality of any audit evidence and information received.

The audit procedures to be applied should be appropriate in the circumstances, for the purpose of obtaining sufficient and appropriate audit evidence to cover the scope of the audit. The nature and sources of the audit evidence required are determined by the criteria, the subject matter and the scope of the audit. The scope of the audit may be to assess a qualitative or quantitative subject matter, and hence the auditor will focus on quantitative or qualitative audit evidence, or a combination thereof, according to the scope of the audit. Hence, audit evidence

Audit evidence

Auditors should gather sufficient and appropriate audit evidence to cover the scope of the audit.

134. The auditor should gather sufficient appropriate audit evidence to provide the basis for the report, conclusion or opinion. **Sufficiency** is the measure of the quantity of evidence. **Appropriateness** is the measure of the quality of evidence; that is its relevance, validity, and its reliability. The quantity of evidence needed is affected by the audit risk (the greater the risk, the more evidence is likely to be required) and also by the quality of such evidence (the higher the quality, the less may be required). Accordingly, the sufficiency and appropriateness of evidence are interrelated. However, merely obtaining more evidence does not compensate for its poor quality. The reliability of evidence is influenced by its source and nature, and is dependent on the individual circumstances under which the evidence is obtained. The auditor should consider both the relevance and reliability of information to be used as audit evidence. The auditor has to respect the confidentiality of any audit evidence and information received.

The audit procedures to be applied should be appropriate in the circumstances, for the purpose of obtaining sufficient and appropriate audit

<p>in compliance auditing includes a variety of evidence gathering procedures of both quantitative and qualitative nature.</p> <p>The auditor often needs to combine and compare evidence from different sources in order to obtain sufficiency and appropriateness of evidence in compliance auditing.</p>	<p>evidence to cover the scope of the audit. The nature and sources of the audit evidence required are determined by the criteria, the subject matter and the scope of the audit. The scope of the audit may be to assess a qualitative or quantitative subject matter, and hence the auditor will focus on quantitative or qualitative audit evidence, or a combination thereof, according to the scope of the audit. Hence, audit evidence in compliance auditing includes a variety of evidence gathering procedures of both quantitative and qualitative nature.</p> <p>The auditor often needs to combine and compare evidence from different sources in order to obtain sufficiency and appropriateness of evidence in compliance auditing.</p> <p>135.Auditors in Courts of Accounts shall gather evidence to formulate their conclusions on public accounts and to assess the risk factors concerning the entity under audit.</p> <p>136.In auditing compliance of the public accounts auditors in Courts of Accounts should apply the same principles as for the compliance audit related to audit of financial statements. There may, however, be additional considerations in relation to compliance audit of public accounts.</p> <p>137.Auditors in Courts of Accounts should determine who is/are responsible for non-compliance/unlawful acts. Establishing personal liability requires that gathering</p>	<p>Create a specific topic to discuss the evidence of personal liability (items 135-141).</p>
---	---	---

	<p>and evaluating evidence must be in all cases performed in relation to the public accountant/official involved.</p> <p>138. In planning and performing audits, auditors in Courts of Accounts need to gather sufficient and appropriate evidence regarding the liability of the public official who might be held responsible for non-compliance/unlawful acts in relation to:</p> <ul style="list-style-type: none">a) the establishment and use of public funds resulting in their loss, waste or misuse,b) the management of the state's public and private patrimony,c) the information in the financial statements. <p>139. In evaluating the evidence, auditors in Courts of Accounts need to consider:</p> <ul style="list-style-type: none">a) sufficiency (quantity) and appropriateness (quality) of the obtained evidence,b) relevance to personal liability of the responsible person and,c) prescription of the evidence. <p>140. The evidence gathering process continues until the auditor in a Court of Accounts is satisfied that sufficient and appropriate evidence exist to provide a basis for the auditor's conclusion to be proposed on</p>	
--	--	--

	<p>whether the responsible persons are liable for the loss, misuse or waste of public funds or are discharged for their management.</p> <p>141. Courts of Accounts may, in particular, use the method of inquiry as set out in the laws governing the procedures of the audit of public accounts. The inquiry must be in written form. 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 indispensable to support conclusions related to the liability of the responsible persons</p>	
--	---	--

Evaluating audit evidence, concluding and reporting

Evaluating audit evidence and forming conclusions

56. Auditors should evaluate whether sufficient and appropriate audit evidence is obtained and form relevant conclusions.

After completing the audit procedures the auditor reviews the audit evidence in order to draw a conclusion or issue an opinion. The auditor should evaluate whether the evidence obtained is sufficient and appropriate so as to reduce audit risk to an acceptably low level. The evaluation includes considerations of evidence that both supports and seems to contradict the audit report, conclusion or opinion on compliance/ non-compliance. The evaluation further includes considerations of materiality. After evaluating the sufficiency and appropriateness of evidence related to the assurance level of the audit, the auditor should consider which conclusion is appropriate in light of the evidence obtained.

If audit evidence obtained from one source is inconsistent with that obtained from another source; or the auditor has doubts over the reliability of information to be used as audit evidence, the auditor is to determine what modifications or additions to audit procedures are necessary to resolve the matter, and is to consider the effect of the matter, if any, on other aspects of the audit.

After completing the audit procedures the auditor reviews the audit documentation to determine whether the matter has been sufficiently and appropriately audited. The auditor should also determine whether the risk assessment and determination of initial materiality were appropriate in light of the evidence collected or whether they need to be revised.

Evaluating audit evidence, concluding and reporting

Evaluating audit evidence and forming conclusions

142. Auditors should evaluate whether sufficient and appropriate audit evidence is obtained and form relevant conclusions.

After completing the audit procedures the auditor reviews the audit evidence in order to draw a conclusion or issue an opinion. The auditor should evaluate whether the evidence obtained is sufficient and appropriate so as to reduce audit risk to an acceptably low level. The evaluation includes considerations of evidence that both supports and seems to contradict the audit report, conclusion or opinion on compliance/ non-compliance. The evaluation further includes considerations of materiality. After evaluating the sufficiency and appropriateness of evidence related to the assurance level of the audit, the auditor should consider which conclusion is appropriate in light of the evidence obtained.

If audit evidence obtained from one source is inconsistent with that obtained from another source; or the auditor has doubts over the reliability of information to be used as audit evidence, the auditor is to determine what modifications or additions to audit procedures are necessary to resolve the matter, and is to consider the effect of the matter, if any, on other aspects of the audit.

After completing the audit procedures the auditor reviews the audit documentation to determine whether the matter has been sufficiently and appropriately audited. The auditor should also

determine whether the risk assessment and determination of initial materiality were appropriate in light of the evidence collected or whether they need to be revised.

143. In addition to the concept of materiality, evidence obtained shall be evaluated based on the concept of personal liability of the public official under audit.

144. Auditors in Courts of Accounts evaluate, based on their professional judgement, whether there is sufficient and appropriate evidence that the public official can be held personally liable for acts of non-compliance

145. Professional judgement in determining whether or not the public official is personally liable for non-compliance acts may include:

- a) an assessment of the way the responsibilities mentioned by the law or included in the public official's job description were carried out;
- b) determining whether the public official's non-compliance or unlawful act determined the identified loss, misuse or waste of public funds or goods;
- c) an assessment of the possible liability exemption circumstances (force majeure, unforeseeable circumstances),
- d) an assessment of the relationships between public accountants and public managers, and
- e) the possible effects and consequences non-compliance acts may have.

Reporting

57. Auditors should prepare a report based on the principles of completeness, objectivity, timeliness and contradiction.

The principle of completeness implies that the auditor has considered all relevant audit evidence to issue a report. The principle of objectivity implies that the auditor applies professional judgment and skepticism to ensure that reports presented are factually correct and findings or conclusions are presented in a proper perspective and in a balanced manner. The principle of timeliness implies preparing the report in due time. The principle of contradiction involves checking the accuracy of facts with the audited entity and incorporating responses from responsible officials as appropriate. The form and content of a compliance audit report should cover these principles.

The forms of reporting may be defined by legislation or in the mandate of the SAI. Nonetheless, the audit report or Auditor's Report normally contains a conclusion based on the audit work performed. The report may also provide constructive and practical recommendations for improvement where appropriate.

The reporting take different forms, either as brief standardized opinions, various forms of conclusions, short or long form reporting. In either way, the report should be complete, accurate, objective, convincing, and as clear and concise as the subject matter permits. Any limitations of the scope of the audit should be described. The report communicates clearly the relevance of criteria used and the level of assurance provided.

Reporting

146. Auditors should prepare a report based on the principles of completeness, objectivity, timeliness and contradiction.

The principle of completeness implies that the auditor has considered all relevant audit evidence to issue a report. The principle of objectivity implies that the auditor applies professional judgment and skepticism to ensure that reports presented are factually correct and findings or conclusions are presented in a proper perspective and in a balanced manner. The principle of timeliness implies preparing the report in due time. The principle of contradiction involves checking the accuracy of facts with the audited entity and incorporating responses from responsible officials as appropriate. The form and content of a compliance audit report should cover these principles.

The forms of reporting may be defined by legislation or in the mandate of the SAI. Nonetheless, the audit report or Auditor's Report normally contains a conclusion based on the audit work performed. The report may also provide constructive and practical recommendations for improvement where appropriate.

The reporting take different forms, either as brief standardized opinions, various forms of conclusions, short or long form reporting. In either way, the report should be complete,

<p>The compliance audit report itself includes the following elements (although not necessarily in the following order):</p> <ol style="list-style-type: none"> 1 Title 2 Addressee 3 Scope of the audit, including the time period covered 4 Identification or description of the subject matter 5 Identified criteria 6 The elements of the audit 7 Identification of the auditing standards applied in performing the work 8 A summary of the work performed 9 Findings 10 A conclusion 11 Responses from the audited entity (as appropriate) 12 Recommendations (as appropriate) 13 Report date 14 Signature. 	<p>accurate, objective, convincing, and as clear and concise as the subject matter permits. Any limitations of the scope of the audit should be described. The report communicates clearly the relevance of criteria used and the level of assurance provided.</p> <p>147.The form of the report should explain the methodology applied by the auditor in determining whether each responsible person involved in collecting, administering, managing or utilising public funds or assets registered in the public accounts is liable for acts of non-compliance or not</p> <p>148.In general, the compliance audit report includes the following elements:</p> <ol style="list-style-type: none"> 1) name of the entity; 2) the timeframe of the audit; 3) the scope, the subject matter and the audit method the identified criteria 4) the public officials involved and their responsibilities, 5) identification of the auditing standards applied in performing the work, 6) transactions affected by non-compliance acts and/or possible unlawful acts. This should include, as appropriate: 	<p>The structure of audit report differs from that one provided in ISSAI 400. Item 6, "d", doesn't contain aspects that characterize the manager's responsibility: period in office; conduct; causal link; culpability.</p>
---	---	---

	<ul style="list-style-type: none"> a) a description of the finding and of its cause, b) the legal act which has been infringed (the audit criteria), c) the consequences of the non-compliance acts and/or possible unlawful acts; d) the responsible persons and their explanations regarding their non-compliance acts and /or possible unlawful acts, e) the auditor's professional judgement which determines whether the public official is or not personally liable for non-compliance acts, f) the value of the loss/misuse/waste created and the amount to be paid due to personal liability g) any measures taken by responsible persons during the audit to repair the loss/misuse/waste created, h) sanctions applied by auditors during the audit. <p>7) the management's arguments on the non-compliance/unlawful acts,</p>	
--	--	--

	<p>8) conclusions,</p> <p>9) proposals for decisions,</p> <p>10) report date</p> <p>11) signature.</p>	
<p>The conclusion may take the form of a clear written expression of a separate opinion on compliance, often in addition to the opinion on the financial statements. The conclusion may also be expressed as a more elaborated answer to specific audit questions. The opinion is often related to attestation engagements, while the answering of specific audit questions is often used in direct engagements. Where an opinion is provided the auditor should state whether it is unmodified or modified on the basis of an evaluation of materiality and pervasiveness. Using the form of an opinion would normally require a more elaborated audit strategy and approach.</p>	<p>149.The conclusion may take the form of a clear written expression of a separate opinion on compliance, often in addition to the opinion on the financial statements. The conclusion may also be expressed as a more elaborated answer to specific audit questions. The opinion is often related to attestation engagements, while the answering of specific audit questions is often used in direct engagements. Where an opinion is provided the auditor should state whether it is unmodified or modified on the basis of an evaluation of materiality and pervasiveness. Using the form of an opinion would normally require a more elaborated audit strategy and approach.</p> <p>150.Courts of Accounts may conclude in different forms. A public official may be discharged or held personally liable for non-compliance acts. These audit conclusions are merely proposals. Final decisions are made in the judgement phase.</p> <p>151.Where no material instances of non-compliance have been identified, the</p>	

conclusion may be to discharge the public official. An example of the form for such a discharge may be as follows: "...the transactions/use of public funds/management of public patrimony is in compliance, in all material respects, with [the applied criteria].".

Where material non-compliance acts have been identified, the conclusion may be to charge the public official and recover from him / her amounts resulting from the loss, misuse or waste of public funds due to the non-compliance acts.

Where performing compliance audit in which more than one public official is involved, conclusions must be expressed in a distinct way so as to specify the personal liability of each one. Likewise, penalties should be determined separately for each responsible person.

152. When the Court of Accounts performs a compliance audit on the general state budget, two forms may be involved: certification or general compliance act.

153. Courts of Accounts may provide annually a specific report on compliance of the general state budget execution with the budgetary act. In this report the findings identified by auditing the individual public accounts may be taken into consideration.

154. The Court of Accounts prepares each year a report on the state budget. This report

	<p>includes but is not limited to the following aspects:</p> <ul style="list-style-type: none"> a) Compliance with the Framework Law of the state budget, and other complementary legislation concerning financial administration; b) Comparison between the budgeted and implemented revenue and expenditure; c) The inventory and balance sheet of the State's assets and liabilities; d) The financial flows between the State Budget and the business sector of the State; e) Treasury operations, identified by type of operation; f) Use of public borrowing, or indirect responsibilities such as the granting of guarantees; g) Allowances, subsidies, tax benefits, credits, bonuses and financial guarantees; h) Contingent assets. <p>155.Parliament may rely on this report to grant discharge of responsibility to the government where the budget has been executed in compliance with the applicable law, for instance the budgetary act. The conclusions on the compliance of the execution of the general state budget may be used to support “the general compliance act”.</p>	
--	--	--

Injunctions and Recommendations

156. Reports on compliance audit of public accounts may include injunctions and recommendations. Personal liability is concluded only in relation to injunctions. Recommendations have no effect on the personal liability of the public officials.

157. Injunctions shall be clear so that the public official knows precisely what action is required. Injunctions must be specific enough to give explicit notice of precisely what is forbidden and what is prescribed.

Responses from the Audited Entity

160 . Incorporating responses from the auditees by reporting the views of public accountants or other public officials is included in the principle of contradiction.

161. In performing the audit of public accounts or the general state budget accounts, the response given by the public officials is important when deciding whether they are definitely liable of non-compliance acts or not. Auditors in Courts of Accounts take into account the information contained in the response provided to modify or to approve the initial conclusions formed within the initial report.

162.In some Courts of Accounts a final report is prepared in the light of the response provided by the public accountants or other public officials. Auditors in Courts of Accounts form the final conclusions and propose the final decisions to be made by the senior staff.

163. Courts of Accounts may have the power to exercise judgements and decisions over the accounts and over responsible persons, including accountants, authorising officers and managers of public funds (ISSAI 100, 1.0.21).

164.Auditors in Courts of Accounts may communicate compliance issues that may result in legal action or prosecution for a

criminal offence to the judge, attorney or department responsible for dealing with judgement issues within the Court, and to other bodies, such as the legislature or relevant ministers as appropriate. In addition, Courts of Accounts may also communicate remarks of a more general or informative nature resulting from the audit work to appropriate officials of the audited entity.

165. When reinforcing the law regarding public officials, decisions taken by Courts of Accounts are subject to:

- a) due process of law and public hearing;
- a) public disclosure, and;
- b) communication to appropriate law enforcement authorities where there is evidence of a criminal offence.

<p>Follow-up</p> <p>58. Auditors should follow up instances of non-compliance when appropriate.</p> <p>A follow up process facilitates the effective implementation of corrective actions and provides useful feedback to the audited entity, to the users of the audit report and to the auditor in planning future audits. The need for any follow-up of previously reported instances of non-compliance will vary with the nature of the subject matter, the non-compliance identified and the particular circumstances of the audit. In some SAIs, including Court of Accounts, 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 risk assessment next year.</p>	<p>Follow-up</p> <p>166. Auditors should follow up instances of non-compliance when appropriate.</p> <p>A follow up process facilitates the effective implementation of corrective actions and provides useful feedback to the audited entity, to the users of the audit report and to the auditor in planning future audits. The need for any follow-up of previously reported instances of non-compliance will vary with the nature of the subject matter, the non-compliance identified and the particular circumstances of the audit. In some SAIs, including Court of Accounts, 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 risk assessment next year.</p>	
--	---	--