

# NEWSLETTER • March 2002

For the Working Groups of the Presidents of the Supreme Audit Institutions of European Union Candidate Countries, Albania and Croatia & the European Court of Auditors • Produced by SIGMA\*

## ***Introducing the Newsletter of the Working Groups of the Presidents of the SAIs of EU Candidate Countries and the ECA***

It is our pleasure to introduce the Newsletter of the Working Groups of the Presidents of the SAIs of the EU Candidate Countries and the European Court of Auditors. SIGMA plans to produce 4 newsletters in 2002, which are to cover SAI working group activities, and mostly technical matters related to these groups.

The Newsletter will be sent out in PDF format and will contain "live" links to the Internet as you will see. In this way the Newsletter will have a printer friendly layout and at the same time be readable and function well on the screen. We will also make the Newsletter available on the EDG.

This issue mostly concerns the recent initiatives under the Audit Manuals Working Group. Via the article by *Brian Vella* and the examples of vision and mission statements from EU SAIs we hope to facilitate the exchange of experiences and provide inspiration for the upcoming workshop in Vilnius (See page 2).

We hope you will find the reading useful for your work as a public sector auditor.

*Best wishes from the Audit & Financial Control Team,  
SIGMA*

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## ***Introducing the Audit Manuals Reference Archive***

On 20 December SIGMA launched the Audit manuals reference archive in the Electronic Discussion Group of the SAI Working Groups on the SIGMA web-site (<http://appli1.oecd.org/Pum/workingG.nsf/by+Category?OpenView&Start=1&Count=30&Expand=1#1>).

If you do not have a username or password for the SAI Working Groups EDG you can apply for it by sending a request to e-mail to [johannes.stenbaek-madsen@oecd.org](mailto:johannes.stenbaek-madsen@oecd.org) or [mimi.bessarar@oecd.org](mailto:mimi.bessarar@oecd.org).

We kindly ask all members of the working group to submit any material in electronic form that they find would be of interest for the other members.

You can submit material or your comments either directly on the EDG or by sending a message to the above e-mail address.

Some of the items submitted in the Audit Manuals Reference Archive:

- Canadian AOG's Annual Audit Manual: [http://www.oag-bvg.gc.ca/domino/other.nsf/html/99cam\\_e.html/\\$file/00aam\\_e.pdf](http://www.oag-bvg.gc.ca/domino/other.nsf/html/99cam_e.html/$file/00aam_e.pdf)
- HM Treasury(UK) Resource Accounting Manual: <http://www.resource-accounting.gov.uk/current/frames.htm> .
- The IS Auditing Guidelines issued by The Information Systems Audit and Control Association - ISACA. <http://www.isaca.org/standard/guidelne.htm> .
- The "Auditors Sharing Audit Programs" homepage on the AuditNet web-site: <http://www.auditnet.org/asapind.htm>
- Guidelines and checklist for Statistical sampling: <http://www.auditnet.org/docs/statsamp.htm#cheklist>
- Commonwealth Fraud Investigation Model Procedures: [http://law.gov.au/aghome/commprot/crid/fraud\\_model/model.html](http://law.gov.au/aghome/commprot/crid/fraud_model/model.html)

Many more links available from the EDG.



## Introducing the Audit Manuals Workshops

In their circular to the members of 30 January, the co-ordinators for the SAI Working Group on Audit Manuals (ECA and SIGMA) launched the plan to undertake four workshops in the course of 2002. The introduction was supported by a letter from the new President of the ECA, Juan Manuel FABRA VALLES (see below).

The four topics chosen and the tentative timing for the workshop are:

1. Preparing Audit Manuals and Mission Statements: Exchange of Experiences (25 – 27 March 2002)
2. Auditing Policies & Standards (week 23)
3. Methodologies for Audits of Public Internal Financial Control Systems (week 39)
4. Quality Assurance (week 43)

The first workshop will be on the 25 - 27 March 2002 and will be hosted by the Lithuanian SAI, the *Valstybes Kontrolė* (VK) (See below). We have already had offers from two more SAIs to host workshops but we are still looking for a host for the fourth and final. We therefore kindly ask you to consider if you want to organise this. The indicative weeks for when the workshops could take place, are mentioned above, which allows you also to plan your own agenda accordingly.

The workshops are intended to inspire and stimulate participating SAIs to make progress beyond the good work already done. They should also provide plenty of opportunities to discuss with EU Member State SAIs issues and problems of common interest on an informal basis.

For your information a new category called "Audit Manuals WG Workshops" has now been created in the EDG for the SAI Working Group (<http://www1.oecd.org/puma/sigmaweb/acts/audit/edg.htm>) where this invitation and other information relevant for the Audit Manuals Working Group workshops will be stored for future reference. Please feel free to submit documents in the EDG or share them via e-mail, if you find they would be of relevance for one or more of the workshops. Thanks in advance.

Should you have any questions or need additional information, please do not hesitate to contact Dieter Böckem at the European Court of Auditors ([dieter.boeckem@eca.eu.int](mailto:dieter.boeckem@eca.eu.int), + 352 4398 45 350) or Johannes Stenbæk Madsen at SIGMA/OECD ([johannes.stenbaek-madsen@oecd.org](mailto:johannes.stenbaek-madsen@oecd.org), + 33 1 4524 8368).

### Wording of letter of 13 February 2002 to Presidents of EU Candidate Country SAIs from the President of the European Court of Auditors JUAN MANUEL FABRA VALLÉS

*"New activities for the working group "Audit Manuals"*

*The last meeting of the Presidents of the Supreme Audit Institutions of Central and Eastern European Countries, Cyprus, Malta, Turkey and the ECA in Limassol extended the mandate of the working group on audit manuals. The Presidents approved also further instruments for the working group to achieve tangible results in this area until the next meeting in Bucharest.*

*The co-ordinators of this working group, the ECA and SIGMA, have developed a clear plan of activities, which I have the pleasure to send you attached. The importance of audit manuals for the quality of our own audit approach and finally also with regard to the accession process cannot be overestimated. Therefore I hope that the activities planned in the working group will lead to real progress in this area. As President of the ECA I fully support this plan and hope that it finds also your approval.*

*I hope that in the near future we will have the possibility to meet each other in person to discuss the aspects of our co-operation in more detail. "*

### Audit Manuals Workshop in Vilnius 25-27 March 2002

On the 25-27 March the Lithuanian SAI, the *Valstybes Kontrolė*, will host the first of four workshops for the Working Group on Audit Manuals. The topic of the workshop will be the Exchange of Experiences in preparing Mission Statements and Audit Manuals. It will include presentations from experienced audit methodology people from both EU Members States and Candidate Countries (See above for background).

For more information on the programme please consult the EDG category, Audit Manuals WG Workshops, or contact co-ordinator Ms Aldona Puteikiene [aputeikiene@vkontrole.lt](mailto:aputeikiene@vkontrole.lt).

## Peer Review of Slovak NKÚ

The Slovak SAI, the *Najvyšší Kontrolný Úrad* or simply the *NKÚ*, is currently undertaking a SIGMA peer review.

The peer review team consists of Dr. Detlev Sparberg (Formerly the German Bundesrechnungshof, now member of NATO's Board of Auditors), Mr. Phil Duncombe (Formerly Director at the UK National Audit Office), Mr. Geoffrey Simpson from the European Court of Auditors and finally the SIGMA team leader and project manager Mr François-Roger Cazala.

The SIGMA peer review is the 8<sup>th</sup> of its kind in the EU Candidate Countries. See table below for overview.

## New items in the Q&A service

The most recent questions answered in the Q&A service concerns:

- 020: External audit of regional and local government;
- 019: Pilot Audits;
- 018: Audit of Procurement systems and procedures;
- 017: Conclusions of the SIGMA assessments 2001;
- 016: The Single Audit Act;

See the replies and more in the public EDG on <http://appli1.oecd.org/pum/afcwedg.nsf/by+category?OpenView&Start=1&Count=30&Expand=3#3>.

Concerning ***Audit Manuals*** see Q&A No. 011.

## Overview of Status for SAI Peer Reviews and SAI Strategic Development Plans in the EU Candidate Countries, Albania and Croatia

Country	SIGMA peer review	Strategic Development Plan	Follow-up peer review
<i>Albania</i>	Planned for 2002	√	-
<i>Bulgaria</i>	(√)	√	-
<i>Croatia</i>	Planned for 2002	Planned for 2002	-
<i>Cyprus</i>	*	*	*
<i>Czech Republic</i>	√	√	-
<i>Estonia</i>	√	√	Under discussion 2002
<i>Hungary</i>	-	**	-
<i>Latvia</i>	√	√	-
<i>Lithuania</i>	√	√	-
<i>Malta</i>	*	*	*
<i>Poland</i>	√	Under development	-
<i>Romania</i>	√	**	-
<i>Slovakia</i>	Under way	Planned for 2002	-
<i>Slovenia</i>	√	**	-
<i>Turkey</i>	*	*	*

√ Done

(√) Not a standard SIGMA peer review but review of institutional functioning

\* Not under SIGMA programme.

\*\* Working with Twinners.

## **Compilation of Comprehensive Audit Manual by the National Audit Office of Malta**

*By Brian Vella, Personal Assistant to the AG, NAO of Malta*

During the year 2000, one of the activities carried out by the Working Group of EU Applicant countries concerned a study on the implementation of audit manuals. This specific assignment was undertaken by the co-rapporteurs of Malta and the Czech Republic. In the report on audit manuals, recommendations were proposed on how a SAI may prepare and implement audit manuals, in accordance with its particular circumstances, namely:

- A **Strategic Committee on Audit Standards**, Manuals and Methodologies should be set up;
- One or more **Methodology Units** to compile audit manuals and other guidelines should be created;
- **Audit Manuals should be prepared** and developed;
- Audit Manuals need **to be communicated appropriately** and be made available to all relevant audit staff;
- There should be **management support** in disseminating and applying audit manuals;
- SAI's staff should undertake **appropriate training** and obtain professional competence in operations as required by audit manuals,
- **Monitoring system of quality assurance** on the implementation of audit manuals should exist to ensure that provisions in the manuals are being adhered to reliably, professionally and consistently;
- **Collaboration by Methodology Units** with other local and foreign organizations provides useful means in providing new concepts for audit manuals;
- Audit Manuals should be **periodically updated**

It was also stated that it was generally agreed that the preparation, dissemination and implementation of appropriate audit manuals are essential requisites for the proper functioning of a SAI.

The National Audit Office (Malta), in its short-term priorities relating to Chapter 28 of the EU Acquis Communautaire, had undertaken to prepare a comprehensive audit manual by the end of 2001 in order to strengthen the audit methodologies and practices carried out by the Office. This commitment was in line with Office policy as it had for some time already been interested in preparing such an audit manual.

The report on audit manuals mentioned above was considered as a good basis for the preparation of such a task.

In the middle of the year 2000, an ad hoc Committee was set up by the Auditor General to start preparations on this manual. This Committee was made up of the Assistant Auditor General (Value for Money Audit), the Personal Assistant to the Auditor General and another official who was to actually prepare the manual. The purpose of this Committee was to lay out the structure of the Manual and to periodically monitor the work carried out on it.

As a basis for preparation of this manual, Audit Manuals from other countries were referred to. In particular, Canadian and UK Audit Manuals were made use of. The INTOSAI Standards and the European Implementing Guidelines, as well as the Manual of the European Court of Auditors, were also referred to. INTOSAI publications and other sources were availed of according to the subject in hand.

The structure of the report largely reflects the proposed Comprehensive Audit Manual Table of Contents as had been laid down in an Appendix in the report of the EU Applicant Countries on "Implementation of Audit Manuals".

At a relatively early stage, the ad hoc Committee decided to base the Comprehensive Audit Manual on Financial Audit. Although reference was to be made on VFM Audit, a separate manual was to be prepared on Value for Money Auditing. This is being prepared by the Assistant Auditor General (Value for Money). The VFM manual is being based, to a significant extent, on the Swedish manual on VFM Auditing.

*(continues)*

During 2001, the following chapters were completed:

1. NAO Organisation, Legal Basis and Policy;
2. Types of Public Sector Audits (carried out by the NAO);
3. NAO General Auditing Standards.

**Chapter 1** concentrated on the Vision/Mission Statement of the NAO, Mandates of the Auditor General, Objectives of Public Sector Audit, NAO Policy Statements and existing Government Financial Rules and Regulations. Relevant NAO legislation was included as Annexes to the Manual. It was also pointed out in this chapter that the auditor must pay attention also to his/her own professional judgement, apart from any guidelines he/she may refer to.

**Chapter 2** concentrated on the types of Public Sector Audits that are carried out by the NAO, namely Regularity Audit, VFM Audit, Audit of NGOs, Local Government, Government Financial Report, Capital Projects, Corporate Issues common across Government, Investigations, Special Audits, ETC. The glossary of INTOSAI Audit Terminology was also included as an Annex in the Manual.

**Chapter 3**, namely the NAO General Auditing Standards, are largely based (though not exclusively) on the INTOSAI Basic Postulates and General Auditing Standards.

During 2001, the remaining chapters of the Audit Manual were completed. As the structure of the Report had already been decided by the ad hoc Committee, this Committee ceased to function. Another qualified official was chosen to continue preparing the Manual under the direction and monitoring of the Personal Assistant to the Auditor General. Whenever necessary, guidance was sought from Audit Managers in Financial Audit in order to ensure, as far as possible, that best practices in government Financial Auditing were compatible with current practices at the NAO. The purpose of the Manual was not to radically change audit methodology practices at the Office but to formally adopt or improve current practices. The Chapters that followed were:

**Chapter 4** – Planning the Audit - dealing with such issues as Audit Risk, Audit Materiality, NAO Corporate Plan, Contents of an Audit Task, etc

**Chapter 5** – Conducting the Audit – dealing with such issues as Audit Programmes, Internal Controls, Audit Evidence, Audit Documentation, Materiality and Risk Assessments, etc

**Chapter 6** – Reporting the Audit – dealing with Internal and External Reports, Annual Audit Report and other Reports, Quality Assurance, Relationship with PAC, Follow-up, etc.

**Chapter 7** – Audit Tools and Techniques – dealing with Audit Sampling, Analytical Procedures, Internal Control Questionnaires, Data Gathering Techniques, etc.

Finally, **Chapter 8** – Specific Subject Areas and Other Issues. In this chapter, references were made to manuals, guidelines and other literature used by INTOSAI and other SAI organisations.

The purpose of Chapter 8 was not to prepare specific guidelines on audit areas but to enable audit examiners to refer to best practices used by other audit organisations. Until such time that this Office has its own guidelines on such areas as Investigations, IT Audits, EU Funds, Privatisations, Environmental Issues, etc, auditors would be able to know what sources may be looked into to carry out related audits.

The Audit Manual was concluded in December 2001 and was inserted in the NAO Intranet. Audit examiners, through an Office Circular, were encouraged to familiarize themselves with the manual to use as a guideline in their audit duties.

The Manual is a live document. It will be subject to continuous changes. Auditors were encouraged to submit comments on any issue mentioned in the Manual which they may feel would require amendments. Furthermore, since a new Assistant Auditor General (Financial Audit) (who previously worked in the private sector) was appointed last November, new work methodologies may eventually be introduced by him, to improve such methodologies.

*(continues)*

Training is provided to auditors on a continuous basis. The manual in question will also serve as a useful tool and reference point in such training programmes.

The Audit Manual may, later on this year, also be referred to external experts for their review and any comments or amendments they may propose.

## ***Mission and Vision statements from some EU Member States***

Examples of mission and vision statements in use in Member State SAIs.

### **1. Vision of the National Audit Office of Denmark (Rigsrevisionen) by the year 2003**

*[By 2003]... Rigsrevisionen is an up-to-date professional organisation carrying out homogenous and high quality audits in specialised units with the aim of promoting an effective administration.*

### **2. Mission Statement Algemene Rekenkamer**

*The Netherlands Court of Audit works to improve the performance of the government and the organisation connected to it. To do this, the Court provides the cabinet, Parliament and those responsible for audited organisations with information based on audits.*

*This information includes conclusions and recommendations with respect to management and policy. The Court of Audit considers objectivity, reliability and usefulness as most important characteristics of its products, independence and efficiency as most important characteristics of its production process.*

### **3. Mission and Vision statements National Audit Office (RRV) of Sweden**

***Mission:*** *To help the nation spend wisely*

***Vision:*** *That the opinion of RRV shall always be requested & That the RRV shall be an audit institution of world class*

### **4. Vision and Mission of the UK National Audit Office**

***Vision:*** *To help the national spend wisely.*

***Mission:*** *To promote the highest standards in financial management and reporting, the proper conduct of public business and beneficial change in the provision of public services.*

***Mission 2:*** *To provide independent assurance, information and advice to Parliament on the proper accounting and use of public resources, and to help clients to improve their financial management.*

**Agenda of events in 2002**

<b>Week</b>	<b>Date</b>	<b>Event</b>
9	28 February	Meeting of the working group « Audit Activities » in Budapest
10	7 March	Meeting of the EUROSAI Governing Board
13	25 – 27 March	First workshop of the working group “Audit Manuals” in Lithuania: Exchange of experiences in preparing audit manuals, mission statements and visions
17	25 – 26 April	Meeting of the Liaison Officers of SAIs from candidate countries, Albania, Croatia and the ECA in Malta
20		Meeting of the Liaison Officers of SAIs from EU Member States and the ECA
22	27 – 31 May	EUROSAI Congress in Moscow
23		Second workshop of the working group “Audit Manuals”: Auditing Policies and Standards
25	20 – 21 June	European Council meeting in Sevilla
36		Annual meeting of the Heads of Nordic and Baltic SAIs in Riga
39		Third workshop of the working group “Audit Manuals”: Methodologies for Audits of Public Internal Financial Control Systems
40	1 - 2 October	Meeting of the Liaison Officers of SAIs from EU Member States and the ECA in Luxembourg
40	2 - 3 October	Meeting of the Liaison Officers of SAIs from candidate countries, Albania, Croatia and the ECA in Luxembourg
42	15 October	Meeting of the INTOSAI Governing Board in Vienna
43		Fourth workshop of the working group “Audit Manuals”: Quality Assurance
48	28 – 29 November	Meeting of the Heads of SAIs from EU Member States and the ECA in Luxembourg; part of the meeting will include the Heads of SAIs from candidate countries
50		Meeting of the Heads of SAIs from candidate countries, Albania, Croatia and the ECA in Bucharest
50	11 – 12 December	European Council meeting in Copenhagen

**Contributions to the next issues of the Newsletter are most welcome and should be  
send to [nicolasjohn.treen@oecd.org](mailto:nicolasjohn.treen@oecd.org) or [johannes.stenbaek-madsen@oecd.org](mailto:johannes.stenbaek-madsen@oecd.org)**