

International Standards for Supreme Audit Institutions: Relevance and potential for Environmental Auditing

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International Standards for Supreme Audit Institutions: Why?

❖ Quality

❖ Transparency

❖ Communication

❖ Qualification

Professional Standards Committee (PSC) organisation



Financial
Audit
Subcommittee
Chair: Sweden

Performance
Audit
Subcommittee
Chair: Brazil

Compliance
Audit
Subcommittee
Chair: Norway

Internal
Control
Standards
Subcommittee
Chair: Poland

Accounting and
Reporting
Subcommittee
Chair: Canada

Overview of the ISSAI framework

Level 1 - Founding Principles

ISSAI 1 The Lima Declaration

Level 2 - Prerequisites for the Functioning of SAIs

ISSAI 10 The Mexico Declaration on SAI Independence

ISSAI 11 Guidelines and Good Practices related to SAI Independence

ISSAI 20 Principles of Transparency and Accountability (planned for 2010)

ISSAI 30 Code of Ethics

ISSAI 40 Quality Control for SAIs (planned for 2010)

Level 3 - Fundamental Auditing Principles

ISSAI 100 Basic Principles

ISSAI 200 General Standards

ISSAI 300 Field Standards

ISSAI 400 Reporting Standards

Level 4

Level 4 – Auditing guidelines – is sub-divided into:

Implementation guidelines

ISSAI 1000 – 2999 Financial auditing

ISSAI 3000 – 3999 Performance auditing

ISSAI 4000 – 4999 Compliance auditing

Specific guidelines

ISSAI 5000 – 5999 Guidance on specific subjects

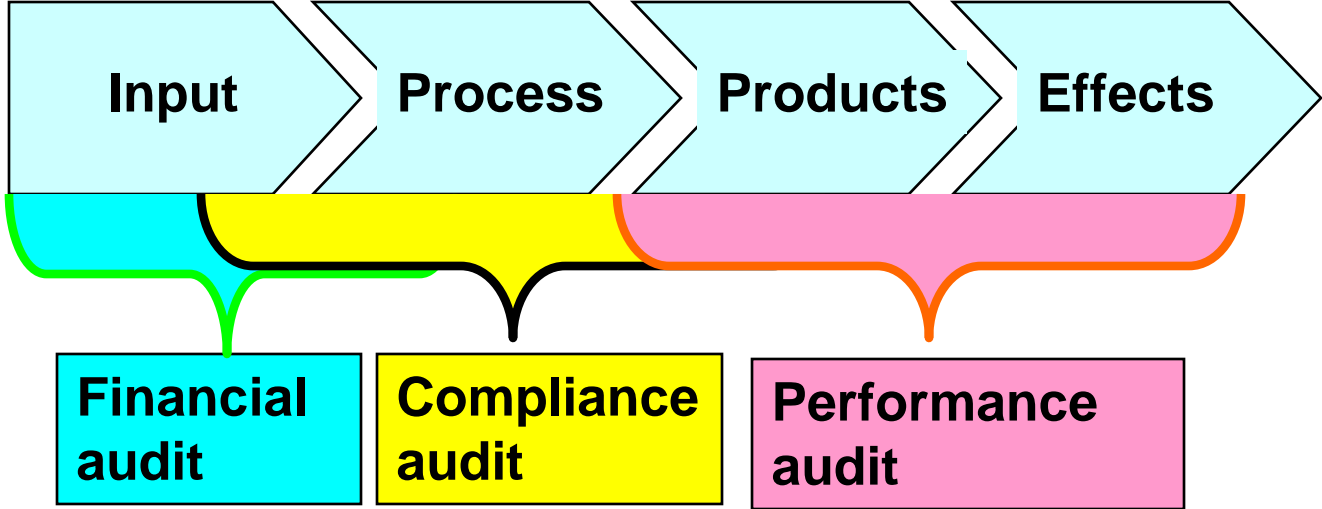
Development of the ISSAIs – where are we now?

- ❖ Awareness raising
- ❖ Adoption
- ❖ Implementation
- ❖ Harmonisation

YOU – the forefront



The broad scope of public sector auditing



Natural Cash Flows		Statement of Cash Flows
		Cash Flow from Financing (CFF)
+ Sell equity	→	+Sell equity
+ Issue debt	→	+ Issue debt
		- Pay dividend
		Cash Flow from Investing (CFI)
< Buy assets (PP&E) >	→	- Buy assets (PP&E)
< Buy inventory >		
		Cash Flow from Operations (CFO)
+ Make sales	→	+ Make sales (collect cash)
< Pay operating costs >	→	- Buy inventory
		- Pay costs
< Pay interest on debt >	→	- Pay interest on debt
< Pay taxes >	→	- Pay taxes
< Pay dividend >		
Interest & Dividends "Repaid" to Debt & Equity Holders		Net Cash Flow = CFF + CFI + CFO

AUDIT CHECKLIST

- Audit Satisfactory
- Nonconformances Found
- Observations Made



The broad scope of public sector auditing expressed by:

- **Financial audit**
- ISSAI 1000-series: ISA + **practice note**

- **Performance audit**
- ISSAI 3000-series

- **Compliance Audit**
- ISSAI 4000 series

Financial audit – the cradle of the audit profession and audit theory

- Basic controls of public spendings and accountability on an *annual* basis
- Subject matter: the financial statements



Performance audit

- Economy
- Efficiency
- Effectivness

Compliance Audit

Compliance with laws,
regulations & authorities

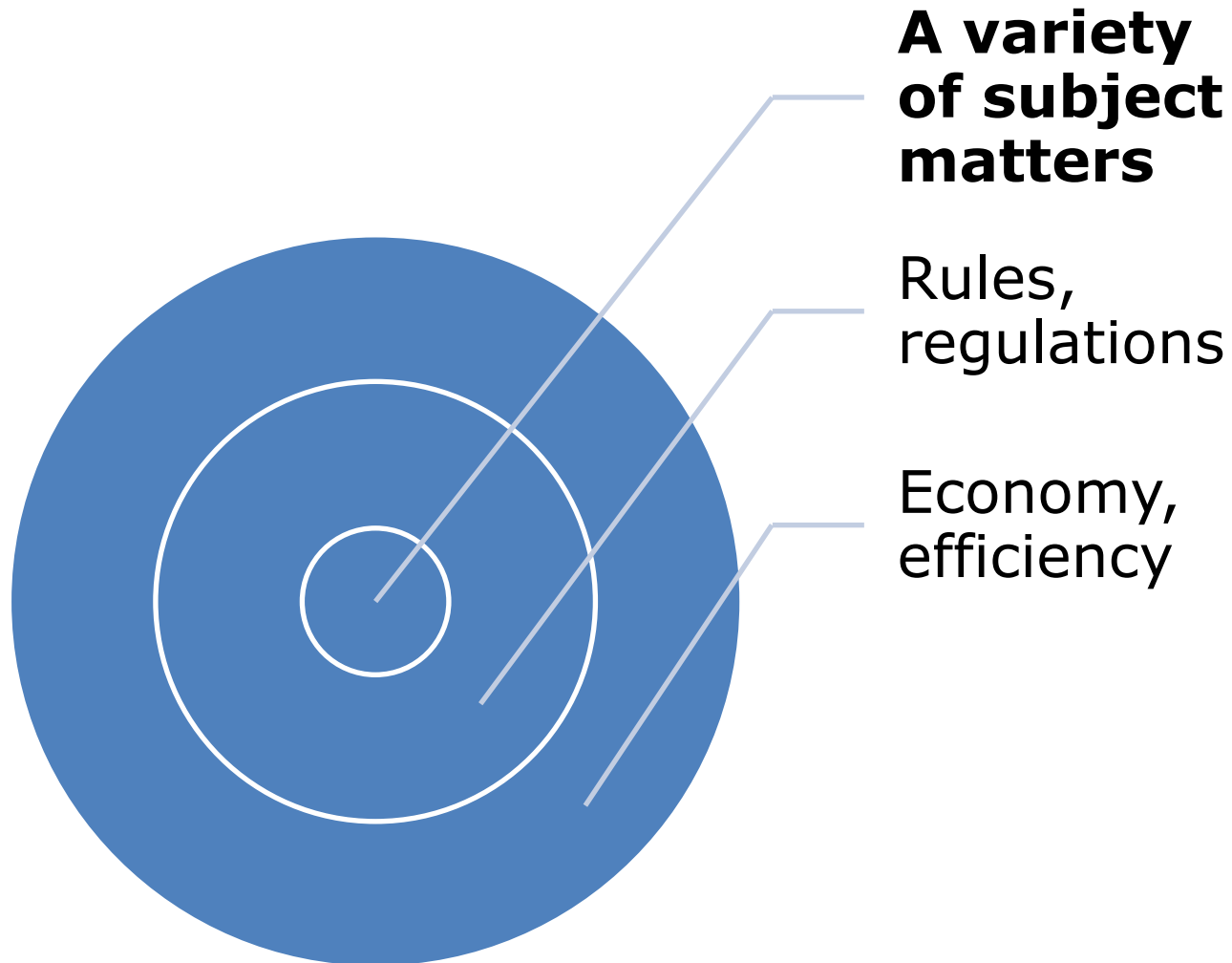
Both:

- For audits performed separately from the audit of financial statements

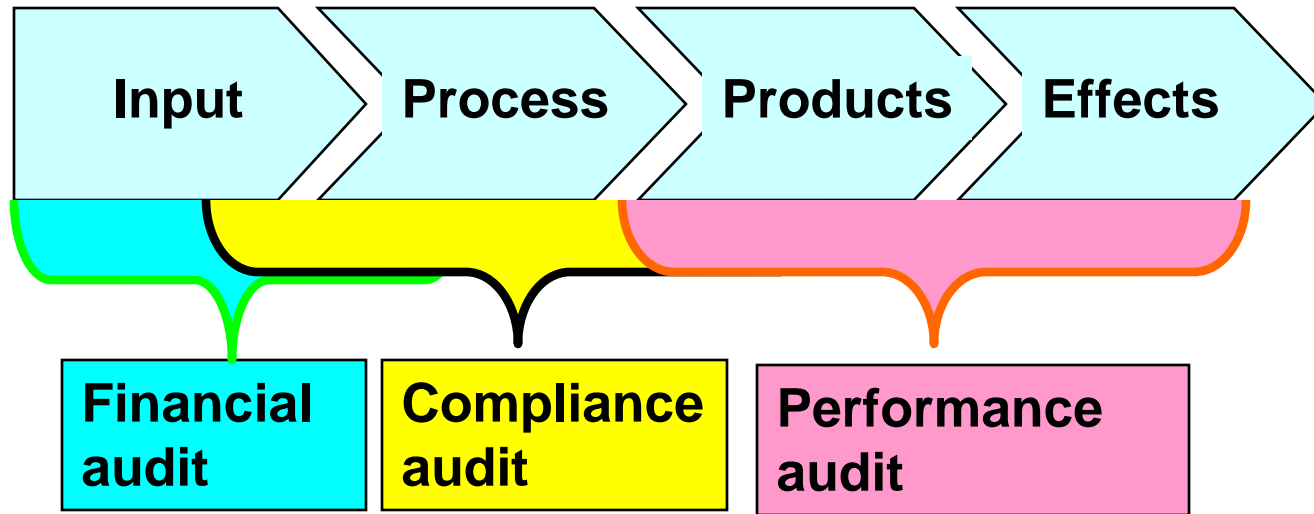
And:

- For audits related to the Audit of Financial Statements

Compliance & performance audit



Possible audit approaches in environmental auditing



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Interest & Dividends "Repaid" to Debt & Equity Holders		
		Net Cash Flow = CFF + CFI + CFO

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Environmental auditing

- **Financial audit:**
- Correct financial statements in cash flow for environmental purposes

- **Compliance audit**
- Opinions on compliance with environmental requirements
- National and international compliance with environmental conventions and legislation

- **Performance audit**
- The outcome of environmental measures

The essence of auditing

- The measurement of a subject matter against a set of criteria by obtaining sufficient, appropriate audit evidence.
- Subject of this seminar:

Audit criteria

Audit evidence

If you want to know more:

www.issai.org

