



National Audit Office

International audit congress

Santiago: September 2024

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Strategic driven audit models





Our work

Financial audit

We provide an independent audit opinion on around 400 accounts per year. The C&AG certifies these accounts and reports the results to Parliament.

Our work provides increased transparency that money is spent in line with Parliament's intention. It gives government bodies the insight they need to manage taxpayers' money more effectively.

Value for money

We report to Parliament on whether government is delivering value for money.

In delivering our work, our role is not to question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

Insights

Our expert insight teams provide valuable and practical insights on how public services can be improved.

We draw these from our extensive work focused on the issues that are a priority for government, where we observe both innovations and recurring issues.

International work

Our international work helps us learn from other audit offices across the world to strengthen our own efficiency and insight. We take a leading role through our position on the EUROSAI Governing Board (a regional body which represents the European grouping of 51 audit offices). We are the external auditor of some international organisations and we also help audit institutions in countries that receive UK aid.

In 2023, we had virtual interactions with 47 international institutions to share and exchange knowledge.



NAO international strategy

- Our ambition
 - to improve financial management
 - enhance and embed accountability for the use of resources
 - Improve and enhance good governance
 - Provide assurance on “taxpayers” funds
- Influencing
 - Maintain presence on the UN Panel of External Auditors
 - To gain intelligence on the UN system
 - To help build and improve the quality of external audit
 - Learning from other SAIs
- Mainstreaming international work
 - Using our UK techniques and approaches and applying them internationally
 - Using our learning from UN and other SAIs to improve our work and knowledge
 - To provide insight from our work to Parliament on the use of UK resources
- People
 - International audit work is attractive for the recruitment of people
 - Helps retention by providing different opportunities
 - Supports development of different skills
 - Exchange with peers broadens perceptions

Components of external audit

- **Financial audit**
 - main aim to provide high quality, independent and objective assurance
 - ISQM 1&2, including external inspection of audit quality
 - ISA compliant approach (ISA 240 [fraud] and 260 [reporting to TCWG])
 - enhance the quality of financial reporting
 - enhance the skills of management
- **Regularity**
 - Ensures that revenues and expenses are in accordance with governing body intentions
 - Focus on financial regulations and governing body decisions
- **Performance audit**
 - Economy, efficiency and effectiveness in the use of resources
 - NAO standards aligned to ISSAI performance audit standards
 - NAO experts support core team as necessary
- **Governance**
 - Independent from management and the organisations we audit
 - Uniquely positioned to critically appraise governance arrangements
 - Considers quality of reporting and accountability arrangements
 - Comments on oversight mechanisms
 - Supportive of audit committees and similar oversight mechanisms

Value added performance audit

- How we define VFM
 - The optimal use of resources to achieve the intended outcomes
 - Supports member states in evaluating progress and achievement of objectives
 - Highlights areas for efficiency and improvement
 - Our objective is to help member states achieve best value from resources
- Selection of topics
 - Develop a plan for the period of our mandate to cover key performance risks
 - Focus on material, operational and strategic matters of interest to member states
 - Cover areas where we have expertise to add value and insight
- How we deliver our work
 - Innovative approaches and techniques – increasing the use of IT and data modelling
 - Follow a clear process methodology
 - Regular review to ensure sound findings
 - Realistic recommendations
 - Opportunity to share identified good practice
- Expertise
 - Small dedicated core international team to deliver performance audit
 - Supplemented by expert input where necessary
 - Extensive experience in the international arena
 - Strong domestic performance audit (60 reports/year to Parliament)

Long form reporting

A background image showing four people (three men and one woman) sitting around a table in a meeting, with a purple overlay.

Financial matters

- Financial statements
- Financial commentary
- Ratio analysis
- Post employment benefits

Governance and internal control

- Risk management
- Second line and compliance
- Accountability framework
- Internal audit
- Internal justice
- Internal control statement

Performance topics

- Estates strategy
- RBM/performance reporting
- Human resources
- Project/programme management
- IS strategy
- ESG/Sustainability

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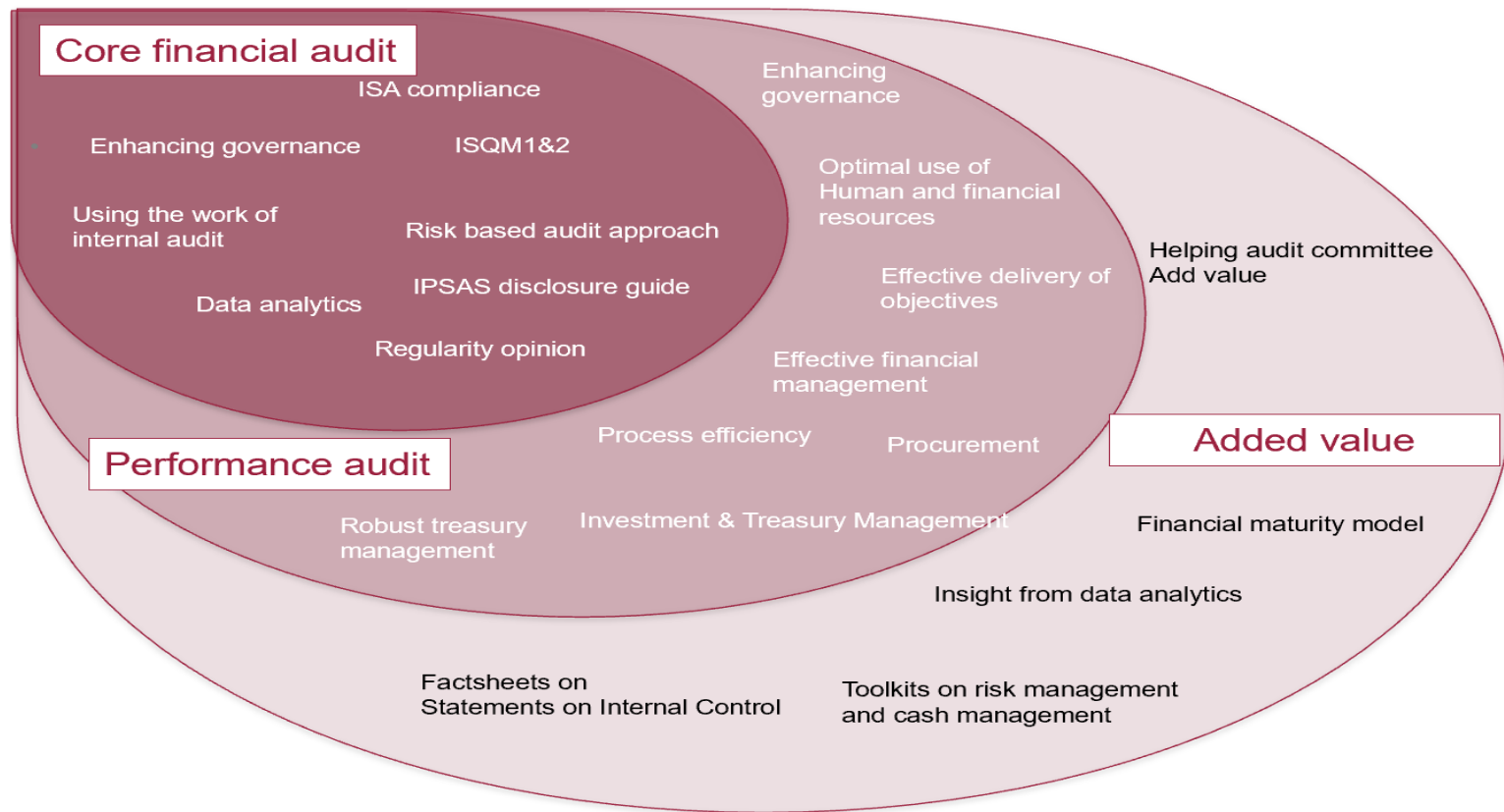
DISCUSSION

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**new audit
focuses for
international
audits**



NAO integrated international audit



Post employment benefits: after service health insurance

- What is it?
 - Liability for contractual obligations for medical benefits past and present (staff entitlement)
 - Includes dependents
 - For most entities it's the most significant financial risk
- How is the liability determined
 - Actuarial valuation (annual)
 - Net present value at the reporting date
 - Driven by actuarial assumptions (medical costs, discount rates and future expected trend rates)
 - Relies on accurate scheme records (census data)
- Management's role
 - Contract with appropriate qualified actuaries and own outcomes
 - Maintain accurate data on members
 - Identify and validate appropriate assumptions
 - Report in line with IPSAS39
- External auditor's role
 - Understand the arrangements and governance
 - Consider the use of auditor's experts
 - Earn the right to rely on management's expert
 - Understand the impact of actuarial factors and their reasonableness (special events, type of valuation [e.g. roll forward])
 - Test and validate census data and assumptions and the appropriateness of the actuarial model
 - Review disclosures and presentation, including sensitivity analysis
- Member States' role
 - To establish funding policy
 - PAYG, partial, fully funded
 - Consider affordability and review overall arrangements

Performance audit findings

- Estates management
 - Absence of strategy
 - Absence of long-term capital master planning (maintenance/renewals)
 - Poor utilisation of space
 - Do not consider new ways of working (post pandemic)
- Results based management/performance reporting
 - Often an industry
 - Overly complex
 - Cost benefits are not considered
 - Performance indicators poorly designed, lack rigour and limited benchmark data
- Sustainability
 - UN should be a leader
 - Variable take-up on early identification of ESG type indicators
 - UN and IPSASB are developing frameworks, but little appetite for early implementation
 - Concerns about data collection and validation systems
- Compliance
 - COSO three lines (common UN model)
 - Variable application in practice beyond first line
 - Supported development of second line (data analytics)
 - Variable quality of internal oversight (often lacks risk focus)

Statements on Internal Control

- Purpose and scope
 - Transparent report on the control environment
 - Articulation of the key risks and mitigations
 - Should be a function of the day-to-day processes and overall governance and oversight arrangements
 - Should comments on the effectiveness of the arrangements
 - Disclosure of key control weaknesses
- Key components
 - Describe the purpose of the control environment
 - How management rely on risk management and the management of key risks identified
 - Comment on the risk appetite
 - Key findings from oversight
 - Any significant changes to controls in the period
 - Reflect expected developments in arrangements
- Accountability
 - Key accountability documents of the head of the entity
 - Transparent disclosure to member states and should provide confidence in the control environment
 - Evidence base should be subject to oversight and challenge by the audit committee
- External auditor's role
 - Understand the arrangements
 - Ensure consistency of disclosures with audit results
 - Fair and balanced

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DISCUSSION



National Audit Office

Thank you

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NAO international audit team