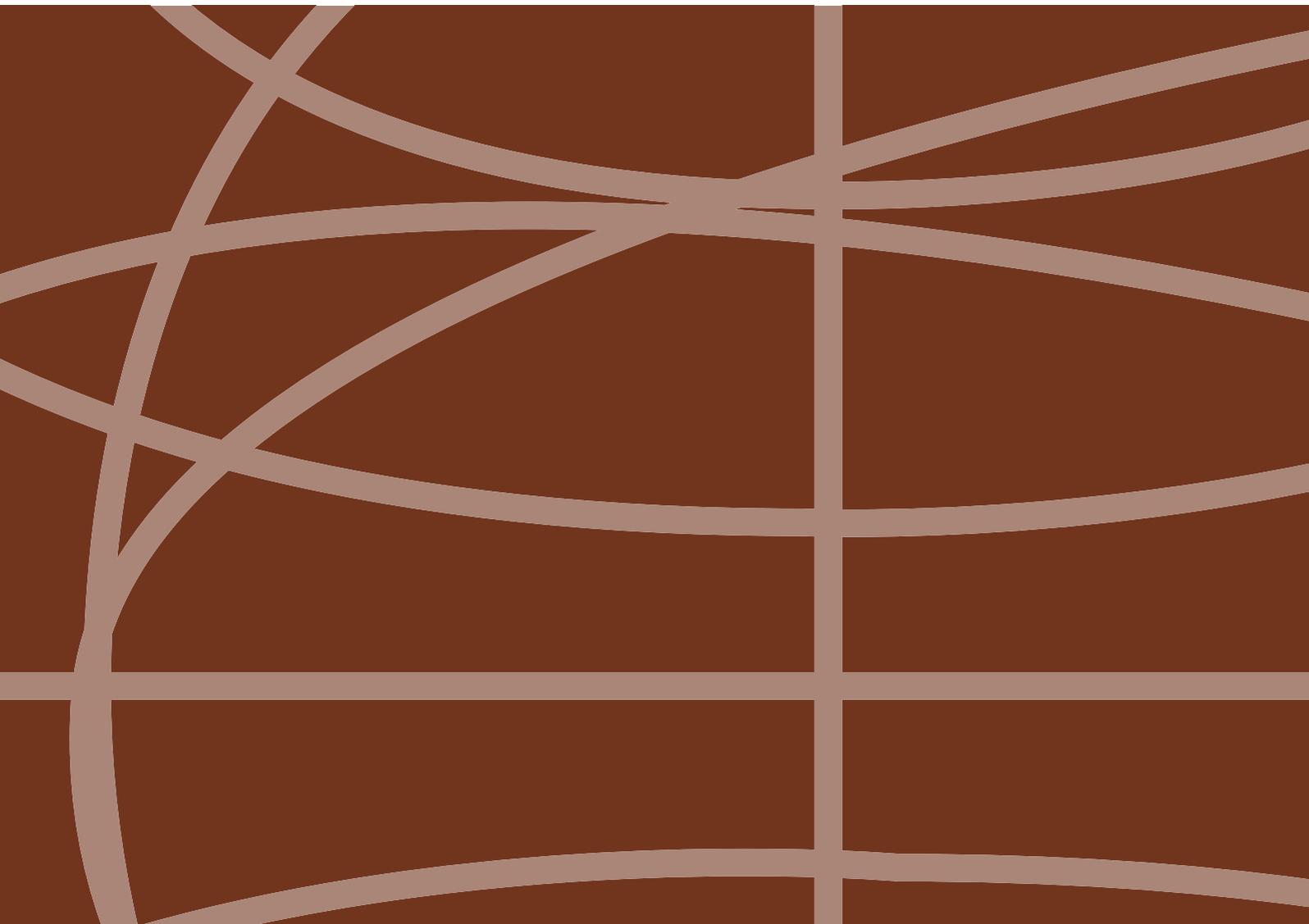


How to increase the use and impact of audit reports

A guide for Supreme Audit Institutions



This Guide has been written by members of the Capacity Building Sub-committee 1 chaired by the UK National Audit Office. This Guide is part of a series being produced by the INTOSAI Capacity Building Committee. The series comprises:

- 1 Building Capacity in Supreme Audit Institutions: A Guide – available in Arabic, English, French, German and Spanish;
- 2 Introducing Professional Qualifications for Audit Staff: A Guide for Supreme Audit Institutions;
- 3 How to Increase the Use and Impact of Audit Reports; and
- 4 Managing Human Resources in Supreme Audit Institutions – *under development*.

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Foreword

SAls play a vital role in holding governments to account for their stewardship of public funds and in helping ensure the transparency of government operations. They are co-partners with the legislature in this regard and rely on a legislative audience for their reports so that findings and recommendations may translate into effective advice to governments to help improve financial control and efficiency, and ultimately public-sector performance. SAls may sometimes also work cooperatively with government and other relevant decision makers. The media, civil society organisations and citizens use audit reports as a source of factual unbiased information about government performance which can be used to support the imperative for change and improvements in systems and procedures.

Producing an audit report is part of a wider process for achieving beneficial change. Audit reports should not be seen as an end in themselves, but rather as a key part of the process of making government systems and processes transparent and accountable.

If the audit report is not read and understood by the right people, improvements will not happen. Availability of reports at the right time, and presentation of information in the right way can enhance the impact of audit reports. SAls have to continually review how they can make their reports more readable, more accessible, and more relevant to all stakeholders.

Reports should influence how government operations are administered and how services are designed and provided to citizens. Reports can achieve this influence by making recommendations to deliver improvements in government performance and in service delivery. Following-up on the implementation of recommendations contained in audit reports, to ensure that the correct action has been taken, is an essential step in the process of enhancing the impact of audit reports.

This guide explores the practices that can be introduced to enhance the use of audit reports, and explains how consultation can promote the use of audit reports. It also discusses how SAls can interact with the main recipients of the audit report, and how this interaction can be fine-tuned to make audit reports more relevant and useful to auditees and other key stakeholders.

The authors of this Guide must acknowledge all the help and advice they have received from colleagues around the world. They recognise that the Guide itself will be subject to continual refinement and improvement as the experience of capacity building among SAls grows.



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and Chairman of the INTOSAI Capacity Building Committee

Chapter 1: Introduction

Purpose and scope of the guide

- 1** This guide aims to help the audit reports of Supreme Audit Institutions (SAIs) have more impact. The scope and potential for achieving impact will be different for each SAI, depending on its mandate and organisational structure. Some SAIs are not permitted to use public forums to share audit results, while others do not have ways to share results. Some SAIs report their findings to the legislature, but their mandate does not permit them to develop their own audit recommendations.
- 2** SAIs have different organisational structures, which can be placed in three broad categories: Westminster, Board/Collegiate, and Judicial models. Each model may involve different approaches to using audit reports and different reporting roles. The key features of the three SAI models are found in Annex 1.
- 3** This guide seeks to offer a neutral view of the different types of SAIs, methods of reporting, and types of reports produced. It will not cover specific types of reports. **As SAIs do not all work the same way, this guide will give a range of options. Not every option will apply to every SAI.**
- 4** The *Mexico Declaration on SAI Independence* (ISSAI 10) supports using audit reports more often and promoting transparency. The following three principles are especially important:
 - Principle 5: The right and obligation of SAIs to report on their work;
 - Principle 6: The freedom to decide the content and timing of audit reports and to publish and disseminate them; and
 - Principle 7: The existence of effective follow-up mechanisms on SAI recommendations.
- 5** This guide aims to serve as a universal forum of good practice, where current practices, new initiatives, and innovative approaches are shared. In this way, SAIs can learn from those working in similar environments how to increase the impact of reports.
- 6** This guide should be used as a reference point before an audit begins, so that good practices can be part of the entire audit process. The guide may also be used to review the process after the report has been completed and submitted to the designated recipients.

7 This guide looks at the stages of preparing an audit report, explores the practices that can be introduced at each stage to enhance the use of audit reports, and explains how consultation can promote the use of audit reports. It also discusses how SAIs can interact with the main recipients of the audit report, and how this interaction can be fine-tuned to make audit reports more relevant and useful to auditees and other key stakeholders. The guide looks at how SAIs can ensure that the audit report is of good quality. A quality audit is the result of internal management checks and external review, good communication with the auditee, and rigorous structure and drafting, which lead to clear messages and effective recommendations.

Why this guide is important

8 SAIs produce audit reports to give recipients an objective observation or assessment of the activities that auditors have reviewed. Audit reports may identify deviations from standards or opportunities for improvement. If beneficial change is to occur, those with the power to bring about change must read and understand the audit reports. To make the best use of the investment the audit report contains, SAIs must do two major tasks: ensure that decision makers and those who are responsible for implementing improvements get the information they need at the right time and in the right way, and follow-up on the implementation process to make sure that the right action has been taken. Increasing the use of audit reports is therefore central to the SAIs' aims and objectives.

9 SAIs can help completed reports have more impact by marketing their work, following-up on audit recommendations, and identifying impacts that arise from recommendations. Doing a review after the report is issued can lead to further learning through feedback from auditees and other stakeholders.

10 SAIs can strengthen the impact of audit reports by building ongoing relationships with auditees and other key stakeholders, who can support the SAI's work by doing the following:

- pressing for beneficial change (the media and civil society organisations (CSOs);
- introducing new laws and calling government to account (the legislature);
- implementing change (auditees); and
- monitoring how effective implementation is (citizens and their representatives).

11 In countries where governments get funding for programmes and projects from international development partners, these partners will be interested in SAI reports that are relevant to the partners' work. SAIs should seek feedback on audit reports from development partners to ensure that the reports are meeting levels of quality assurance that the partners require.

Guidance

Chapter 2: Before the audit

Choose topics that are useful for legislatures and auditees

12 The legislature is one of the main audiences for audit reports. At the pre-planning stage, auditors will want to think about how useful the report will be for the legislature. In deciding whether the audit topic is relevant, Supreme Audit Institutions (SAIs) may consider the following questions:

- Is the audit topic likely to be of interest to the legislature?
- Does the topic respond to urgent issues that members of the legislature have brought to the SAI's attention?
- Will the audit topic cover an area of high expenditure or revenue?
- Will the audit topic cover an area of high risk?
- Will the audit topic address a government priority?
- Will the audit topic be politically relevant?
- Is the audit topic likely to result in the legislature making recommendations or taking actions that could make a difference?

13 Beneficial change in government can happen if auditees act on recommendations in SAI audit reports. At the pre-audit stage, SAIs need to think about how likely the audit topic is to offer opportunities for beneficial change within the auditee. Here are some useful reflection questions for SAIs:

- Could the recommendations from the topic produce financial savings or improve efficiency?*
- Could the recommendations from the topic produce non-financial improvements that can be measured?*
- Could the topic lead to good practice that might be applied more widely?
- Can any lessons be learned from the auditee's internal auditor or control unit?

**See Paragraph 45 for further consideration of audit recommendations.*

Consider the interests of other stakeholders

14 Many journalists see themselves as a key part of a democratic society. Their role is to inform members of the public about how well they are governed or not governed. For this reason, journalists may share values and links with auditors. The media, which often shows interest in audit reports, can be seen as a stakeholder. Media coverage of audit reports can give reports more impact and stimulate public demand for beneficial change in areas that the report highlights.

15 Media interest on its own should not be the reason for choosing an audit topic. But once a topic has been chosen, auditors should find out whether previous media campaigns or articles have tackled that topic, and whether the audit's lines of enquiry will cover areas of interest to the media.

16 If the audit topic relates to delivering public services, the topic may be of interest to citizens or to organisations that represent citizens. Once an audit topic is selected, SAIs may consider the following questions:

- Does the audit address delivery of services to citizens?
- Will the topic address how well outcomes that benefit citizens are being achieved?

17 In countries with programmes and projects funded by international development partners, an audit topic may interest these partners. SAIs may wish to consider these points:

- Does the audit cover a project or initiative that development partners support?
- Will the topic review how well projects funded by development partners are meeting objectives?
- Does the audit help to build trust between development partners and the country that receives support?

Consult stakeholders

18 To ensure that audit reports are as effective as possible, some SAIs may find it helpful to consult with stakeholders before planning the audit. These consultations aim to identify issues that interest stakeholders, so that these issues may be part of the scope of the audit plan. Here are the main types of consultations:

- holding meetings with key stakeholders, such as the auditee, to tell them about the audit and to collect their views;

- writing to key stakeholders, such as groups that represent citizens, to tell them about the audit and invite them to submit written comments or attend a meeting; and
- announcing on the SAI's website that the audit is about to start and inviting those with comments and suggestions to contact the audit team using a designated telephone number or email address.

19 In some countries, legislative committees are involved in choosing audit topics. Where this is not the case, and the SAI knows that the legislature has an interest in the audit topic, the SAI may wish to discuss the scope of the audit with the legislative committee.

20 If the expertise of specialists is needed for the audit topic, the SAI may use an expert panel of advisers to point out key technical issues and suggest criteria for assessing the technical performance of government bodies. Using an expert panel will give authority and credibility to the audit report and make it more likely that the legislature, the auditee, and citizens will take the report's recommendations seriously. Some SAIs may want to include a representative of the auditee on the expert panel. An auditee who takes part in the panel is more apt to agree with the panel's findings and accept the panel's recommendations.

21 If the audit topic talks about delivering services to citizens, the SAI may involve a group that represents citizens or relevant civil society organisations (CSOs). These groups could share their views and their experience separately or take part in discussions with a panel of experts. The SAI may also conduct a survey or questionnaire to gather feedback on the experiences of citizens.

22 Some SAIs use civil society bodies to lead initial investigations into financial mismanagement. These bodies can directly assist the SAI's work by tracking expenditure, helping with local auditing, and measuring programme performance. Examples of cooperation between SAIs and CSOs are described later in this guide.

Chapter 3: During the audit

Ensure that quality is built into the audit process

23 The quality of audit reports affects how well the legislature, auditees, the media, and citizens can use the audit findings and recommendations. A high-quality report that clearly shows what needs to change, why it must change, and how improvements can be made, is likely to lead to beneficial changes being approved and implemented. The International Organisation of Supreme Audit Institutions (INTOSAI) provides standards and guidance on quality through publications such as the following:

- ISSAI 40: *Quality Control for SAIs*;
- ISSAI 200: *INTOSAI Auditing Standards – General Standards*, paragraphs 2.1.26 and 2.2.36;
- ISSAI 1220: *Quality Control for an Audit of Financial Statements*;
- ISSAI 3100: *Performance Audit Guidelines – Key Principles*, paragraph 2.5;
- ISSAI 3100: *Performance Audit Guidelines – Key Principles – Appendix*, paragraph 5.3; and
- ISSAI 4100: *Compliance Audit Guidelines for Audits Performed Separately from the Audit of Financial Statements*, chapter 5.2.

24 These standards and guidelines stress the importance of line management checks, the work of quality control units, the use of quality control thresholds or gateways, and independent reviews of draft reports before they are final.

25 In the first-stage review, another, more senior audit team member must review all working papers and audit procedures. In the second-stage review, the engagement director must perform a second review to confirm that sufficient, relevant, and reliable audit evidence has been found to support the recommended audit observation or conclusions. Senior managers may also check that:

- all audit work included in the audit plan has been completed;
- all relevant audit findings are included in the report;
- audit findings are logical and convincing;
- there are no gaps or duplications in the report; and
- the main messages in the summary are clear.

26 Quality control is part of the audit reporting process and differs from one system to another. However, quality control often includes units that are dedicated sections within the SAI. These units are responsible for ensuring that audit work meets professional standards and best practice. They do so by making sure that the SAI is capable of doing the audit, developing appropriate audit methods, and responding to changes in SAI priorities and the external environment. Separate quality control units may exist for different types of audit. These units may review draft audit reports to check quality before reports are final. Quality control units may also be formed on an *ad hoc* basis, drawing on colleagues not directly involved in the audit.

27 Quality thresholds are stages in the audit where SAIs use authorised checklists of questions to ensure that audit work meets required quality standards before the work goes any further. Thresholds can help with decision-making at key points in the audit. The thresholds signal that audit teams have done enough research and analysis at certain points in the life of the audit to ensure a quality product. SAIs may apply thresholds after the planning, fieldwork, drafting, clearance, and follow-up stages of the audit are complete.

28 Some SAIs arrange for an independent review of draft reports to be done before the reports are final. These reviews can be done internally by experienced members of the audit staff who are not involved in the audit, or externally by academics or other respected experts in relevant fields.

Inform the auditee of what to expect during the audit

29 The relationship between the SAI and the auditee can be greatly improved if the SAI sets up communication protocols. These protocols cover the following areas:

- the responsibilities of the SAI and the auditee, with guidance on key stages of the audit process and what documents will be shared between the SAI and the auditee at each stage;
- how the SAI will let the auditee know about upcoming audits, to allow enough time for the auditee to prepare;
- what initial meetings will take place to discuss the audit work with the auditee;
- who will be the key contact persons for the SAI and the auditee during the audit, and how contact persons will be told about developments during the audit;
- the information that the SAI will provide to the auditee about the audit plan, timetable for the audit, and audit methodology, including buildings and locations to be visited;

- the types of information and access that the SAI will need the auditee to provide, such as:
 - files and documents;
 - walk-through of systems;
 - interviews with officials; and
 - site visits;
- how and when the SAI will share emerging findings with the auditee;
- how and when the SAI may discuss proposed conclusions and recommendations with the auditee (for example, involving the auditee in discussions before the report is drafted and discussing conclusions and recommendations in detail before the final report is cleared);
- when the auditee will receive a copy of the draft report for comments; and
- when the auditee will receive a copy of the published report and a press release (if this applies).

30 Some SAIs produce an auditee strategy once a year. This strategy, which is developed with the auditee, covers these areas:

- a summary of the key challenges and risks facing the auditee that the SAI would want to address;
- ways that the SAI's work can help improve the auditee's performance and services to citizens;
- specific auditee weaknesses that need to be addressed and improved, such as through creative and new approaches; and
- what new developments in the public sector will mean for the auditee, and how the auditee might respond.

31 There is more than one way for SAIs to make change happen in auditee systems. The relationship between the SAI and the auditee is an ongoing one that goes beyond audits and reports. Some auditors general meet with the heads of ministries to discuss weaknesses that have been identified in their systems and talk about ways that auditees can implement recommendations listed in or arising from audit reports.

Write clear and understandable audit reports

32 This section sets out criteria for auditors to follow when drafting an audit report. The report must be clear, simple, brief, and objective as it presents key information that is supported by appropriate evidence.

33 Produce clear and understandable audit reports. Since legislators, journalists, and the general public are not auditors or specialists in the fields being audited, the layperson should be able to understand the language of audit reports.

34 Producing a clear and understandable audit report means using plain language and avoiding technical jargon. The text must have a logical and coherent structure. Graphic elements (illustrations, tables, diagrams) may be used if they support the text. The report should provide a number of entry points to its messages: the table of contents, the executive summary or main points, and the headings of sections or titles of tables should all communicate the same main messages. A reader should arrive at the end of a well-written and well-organised report convinced that the audit conclusions fit the information that was presented.

35 Use plain language. Whenever possible, avoid jargon or obscure words, and explain any technical or legal terms that need to be used. When using plain language, keep sentences to an average of 15 to 20 words; stick to one main idea in a sentence; use active verbs and avoid the passive voice as much as possible; and reduce or delete unnecessary details. Using plain language will make any report more readable, especially a complex one.

36 Divide long or complex sentences into shorter, simpler sentences. Long and complex sentences are hard to read. It is easier for readers to understand and remember facts when they take in information that is divided into short sentences. Replace long phrases with shorter phrases that mean the same thing. Report writing should be a team effort. Get other team members to read the draft. A fresh pair of eyes is more able to see what works and what does not read well.

37 Use a logical report structure and style. A logical report is crucial to communicating information clearly and effectively. A typical report structure will include a title, main points or an executive summary, an introduction, facts of the case, observations, evaluation, recommendations, responses from the audited entities, and a conclusion. An appendix to the report should list the professional auditing standards used, objectives of the audit, scope and approach, relevant criteria, and the period covered by the audit.

38 Have a clear and simple title. In as few words as possible, tell readers the main activity, programme, or issue that the audit covers.

39 Use main points (or an executive summary) to highlight ideas of the report. These highlights should serve as a stand alone summary of the three or four key findings, as some readers may not read the entire report. **Main points** should draw attention to the most important information about an audit in a way that is accurate, clear, and coherent. Readers should be able to grasp easily what was examined, why it is important, and what was found – even if they read only the main points.

40 Make use of exhibits and other tools to present complex information clearly and simply. These items can include maps, illustrations, tables, charts, or text boxes. Exhibits can help to catch the reader's eye and reinforce key points. When using graphics:

- organise them so that the point is obvious;
- include clear and concise titles and labels; and
- use graphics to emphasise major themes.

41 Seek the help of communication specialists. Auditors should meet with the Head of the SAI early in the report-writing phase to review and agree on the key messages. Communication specialists within the SAI can help auditors to perfect the various elements of reports during the stages of report writing. This assistance can include meeting with the audit team at the beginning of the report-writing phase to develop key messages; helping teams that are having trouble identifying key messages or organising the report in a logical fashion; and offering editorial and graphic design services.

42 Develop the structure of the report before drafting begins. The structure should bring out the report's key points. In structuring written work, auditors should:

- think about the aim of the report;
- focus on the main messages for the summary and develop them in the main report;
- report only the relevant points;
- put the information into clear paragraphs; and
- use suitable headings to break up the text and provide signposts for the reader.

43 To organise ideas in a logical way, auditors should think about the following questions:

- What are the key messages we want to share?
- What evidence or information do we need to give to support this message?
- What details do we need to include to show that the message is important? (This could mean discussing risks or impacts, for example.)
- How do the messages we want to include in the report relate to each other? What is the order of priority?

44 Use the conclusion to sum up the key findings of the audit and draw on the evidence that has been collected.

The point of doing an audit is to reach conclusions upon which audit opinions will be based. Conclusions often reveal areas where the auditee can improve systems and procedures. Recommendations suggest how to implement these improvements. Conclusions and recommendations are therefore crucial if an audit report is to be a success.

45 Ensure recommendations are clearly based on evidence and findings. The audit report and the recommendations should be constructive and useful, giving the auditee guidance on ways to improve its practices. The auditee will be more open to acting on recommendations if the report is drafted in a balanced way that points out the auditee's strengths and achievements as well as its weaknesses.

46 Recommendations should add to existing knowledge and expertise rather than restate known positions or support actions that are already being done. To achieve beneficial change, recommendations should be specific about:

- what needs to be done;
- why it needs to be done;
- where and when it needs to be done;
- how it is to be done; and
- who is to do it.

Recommendations should be measurable, so that auditors can later check whether these actions have been implemented.

47 For a recommendation to be credible, it should be achievable. Auditors should discuss with auditees whether the recommendations are feasible. The costs of recommended actions must also be taken into account. There is no point in making a recommendation if the costs involved would outweigh the benefits. Recommendations should therefore look at material capacity and human resources. Some SAIs do not make recommendations, as this task may be the legislature's responsibility. In such cases, the SAI should make sure that the report contains the information the legislature needs, including a cost analysis, to make authoritative recommendations.

48 Produce reports in a timely manner. This is one way that SAIs can assist the accountability process and meet the expectations of the legislature and the auditee. Where SAIs regularly have major delays in completing reports, it may be helpful to discuss the reasons with the legislature. With the legislature's support, staff or other resources can be increased to complete reports on time.

Chapter 4: After the audit

Communicate the results of audits clearly and effectively

49 Reporting is a key part of auditing. No matter how professional or accurate an audit is, the SAI has not served its auditees, key stakeholders, and other audiences if it does not communicate the results clearly and effectively. Good communication is essential if the SAI is to fulfill its mandate.

50 When reports are done well, the messages are understood. As a result:

- the organisations audited accept the findings and implement the recommendations;
- legislative assembly committees hold hearings or briefings on issues reported and endorse the recommendations;
- members of the media report the findings accurately; and
- legislators and other key stakeholders support the SAI's role and work.

51 Here are two strategies for ensuring that the audit report is communicated well:

- **Identify the target audiences.** For SAIs, these audiences go beyond the auditee. Target audiences normally include legislators, the media, and the general public. Other audiences could include audit entities, public opinion leaders, academics, and special interest groups.
- **Monitor the external environment.** Constantly monitor and analyse the external environment to identify opportunities, challenges, and risks that may **influence how effective your communications are**. Take into account circumstances that may affect how your target audiences interpret your report. For example, news reports about labour unrest or conflict on the board of directors may undermine or contradict an audit report that concludes that an organisation is well managed. Or an audit report about emergency preparedness may be read and analysed in light of an ongoing public safety emergency, even if there is no connection between the two. In such cases, SAIs will need to be prepared to explain clearly how the audit report and the news relate (or do not relate) to each other.

52 Sources of information about the external environment include the following:

- comments about reports or recommendations from parliamentarians;
- media coverage of current events;
- communications (letters, email, or phone calls) from members of the general public;
- comments from government entities;
- published or broadcast opinions about the SAI by academics or other experts; and
- public opinion surveys.

53 Special attention must be paid to legislators, who are one of the main target audiences. For some SAIs, before a report is released to the public or the media, the Head of the SAI needs to inform legislators and their research team about the report. In most cases, SAIs host a confidential briefing for legislators. The Head of the SAI delivers a short opening statement and then answers questions. Some SAIs find it useful to set up a separate unit to coordinate contact and liaison with legislatures.

Write recommendations that lead to change¹

54 How recommendations are worded affects whether and how well they are achieved. It is easier to have impact if the recommendation is practical and precise. Yet recommendations that are too precise can lead to complications. The SAI does not normally implement changes. It should avoid having to confront its own implementation of recommendations in a later audit. Recommendations should be clearly addressed to a specific group or office. If it is not clear who is expected to do something, the risk is great that the impact will not be achieved.

Follow-up on recommendations to find out if progress has been made

55 SAI reports should help to make the government more transparent and accountable. Reports should also influence how services are designed and provided to citizens. Reports can achieve this influence by making recommendations to deliver improvements in financial systems and processes and in the economy, efficiency, and effectiveness of public services. Following-up audit recommendations is not only a key part of SAI standard procedures, but also a way to secure and reinforce the impact of the audit report.

56 The purpose of doing follow-up is to identify how well auditees have implemented the changes they promised to do when they responded to recommendations in audit reports. To follow-up an audit, audit teams should take these steps:

- create a database to make it easier to follow-up on audit recommendations;
- choose a group of audit staff members to be responsible for tracking, monitoring, and documenting follow-up to recommendations;
- get the auditee's response to the recommendations;
- follow-up on how agreed-upon recommendations are put in place; and
- if the auditee does not make an effort to implement recommendations it has agreed to do, audit teams can take further action, such as:
 - sending a letter to the auditee's management;
 - carrying out a follow-up audit; or
 - bringing it to the legislature's attention that the audit recommendation has not been implemented, if this is appropriate.

¹ This section is well formulated in ISSAI 3100, *Performance Audit Guidelines – Key Principles* 32: "Recommendations, where provided, should be presented in a logical, knowledge-based and rational fashion, and be based on competent and relevant audit findings. They should be practicable, add value and address the audit objective and questions. They should be addressed to the entity(ies) having responsibility and competence for their implementation."

SAIs with the Judicial model, for example, may have the power to charge a fee to civil servants who do not cooperate, and may choose to exercise this power in such cases. (See Annex 1 for a summary of the Judicial model.)

57 Audit teams may find it helpful to keep in touch with key auditee staff members after the audit is finished. This approach will make it easier to find out whether auditees have implemented the recommendations. It can also be valuable to investigate why certain recommendations were not followed-up. When developing further recommendations, lessons can be drawn from the reasons for non-implementation. It could be that the recommendations were not useful, would not solve the problems or were not feasible.

Measure the impact of audit reports and recommendations

58 Following-up on the impact of audit recommendations is important for several reasons. The *Implementation Guidelines for Performance Auditing*² (ISSAI 3000) state that this follow-up may serve four main purposes:

- making audit reports more effective;
- assisting the government and the legislature;
- evaluating SAI performance; and
- creating incentives for learning and development.

59 Following-up on and measuring the impact of recommendations is not an easy task. SAIs need to think about several aspects of this work when building a follow-up system:

- mandate (Is the follow-up mandatory or voluntary?);
- scope (How many audits should be followed-up? Which audits?);
- resources (What resources are available?);
- timing (When will the follow-up be done?);
- methods of measurement (How will the follow-up be done?); and
- reporting (When will reporting be done? To whom will reports be made?).

60 Mandate: The SAI must carefully consider the implications for the follow-up system. These implications will depend on whether the task is mandatory or voluntary, as the importance of scope, resources, timing, methods, and reporting may vary from one approach to the other.

² These guidelines are applicable not only to performance auditing, but any kind of auditing in this respect.

61 Scope: Scope has two aspects: width and depth. A wide and shallow scope means that nearly all audits are followed-up, but follow-up is limited. A deep and narrow scope allows for a more thorough follow-up of a small number of reports. SAIs may want to combine the two approaches by following-up all audits in the short term and following-up a smaller number of audits in more depth over the longer term. When a more limited approach is chosen, the basis for the sampling needs to be clear and robust. The result of the SAI's reporting on an audit's impact must be reliable and transparent.

62 Methods of measurement: There are two main ways to measure the impact of audit reports and recommendations: using a qualitative approach or a quantitative approach.

- **Qualitative approach:** The qualitative approach could be an appropriate first step. The impact could be described as actions that ministries and agencies have taken. Some countries use a reporting system where auditees must report to the legislature actions that they have taken or planned. The documents the auditees provide in such a system can offer a useful source of information for the SAI's own follow-up. More information may be collected directly from the auditee through interviews or surveys or both. Questions should focus on how many of the actions that the auditee has planned or taken, and the impact of such actions, are the result of the audit report and recommendations. It is usually easier to create a cause-and-effect connection between the audit report and recommendations and the actions planned or taken than to make this connection with final outcomes, such as improvements or savings.
- **Quantitative approach:** Some SAIs measure the impact of a report in quantitative terms. The number or percentage of recommendations implemented, and the savings in monetary terms (financial impact), are two indicators to use. A certain amount of qualitative judgement is needed to decide whether a recommendation has been fully or partially implemented, since some criteria are assessed qualitatively.

63 When the SAI is trying to find out how many recommendations have been implemented, the auditee must have time to react. It can be useful to build a time frame into the measurement. For example, auditees could be given two, three, or four years to implement a recommendation.

64 Financial impact may mean either reduced spending or increased revenues. Reduced spending could include fewer resources used to achieve a certain output, or more output for the same (or fewer) resources. Reduced spending could also mean improved quality in the output for the same or fewer resources. Increased revenues could lead to improved quality in services, which would have additional impacts. However, it tends to be difficult to pinpoint the financial impact of improved quality. SAIs will want to think about whether financial savings are one-off savings or will be realised over a longer time period. Ideally, the financial impact measured should be net savings. This means that the costs of implementing the recommended action will be covered by the amount saved by this action. When calculating savings that have been achieved, SAIs must consider what would have happened if the recommendation had not been presented or implemented.

65 It is often difficult to calculate savings that result from the implementation of audit recommendations. SAIs using this approach will need to spend a lot of time and effort creating a robust recording system and gaining the cooperation of auditees. Discussions and agreements with the auditee are often part of such a system. Some SAIs have their external auditors verify the financial impacts reported.

66 Timing, resources, and reporting: It usually takes time before actions are carried out, and even more time before effects of the actions are visible and measurable. The more time that has passed since the report was published, the more difficult it will be to find out whether the effects are the result of the report's recommendations.

67 The issue of resources is closely related to issues of scope and depth in the follow-up process. The situation can vary from one country to another. In some cases, part of the resources the SAI receives may be set aside for follow-up activities. Usually, however, the SAI has to decide on the amount of resources it should put aside for follow-up. Most of the resources should go to auditing rather than follow-up.

68 The results of the SAI's follow-up exercise should be reported widely, unless regulations prohibit this reporting. Often, the legislature will ask for a report. In some cases, the legislature wants the report so it can assess how effective the SAI is. If there are no formal restrictions, the results should be reported publicly. This may include media reporting.

Invite auditees and stakeholders to give feedback on audit reports

69 Getting feedback from auditees and stakeholders allows SAIs to improve the quality and relevance of audit reports. The results of feedback should be used for training and guidance:

- **Feedback from the auditee:** Collecting the auditee's views at the end of the audit can help improve the ongoing relationship with ministries and allow SAIs to get more effective and constructive feedback. Feedback can be gathered through a semi-structured interview, questionnaire, or workshop with the audit team and the main contact persons at the ministry.
- **Feedback from the legislature:** The legislature can be a valuable resource for gathering feedback about the quality and relevance of audit reports. Some SAIs require their communication departments to conduct surveys of members of the legislature once a year.
- **Feedback from audit teams:** Maintaining quality during the entire audit process is vital. This approach ensures that the final report will be well presented. Auditors often come across obstacles during the audit that were not predicted. How they cope with such obstacles can be a valuable lesson for other members of the audit staff. To make sure that this information is shared fully, it is worth doing a short post-audit review of the experience of audit teams. This review can:
 - identify and share best practice so that auditors can repeat and build upon it;
 - make sure that teams do not make the same mistakes again;
 - reflect on what was done well and what could be done better; and
 - identify trends that can feed into training and guidance throughout the office.
- **Comments from panels of advisers or academics:** Having independent advisers give input on a SAI's quality process helps to give external stakeholders confidence in the SAI's work. Some SAIs invite panels of advisers or academics and technical experts to give their views on published reports, using clearly defined criteria to ensure that the feedback they get is consistent.

Chapter 5: Engage stakeholders

Know that the legislature is one of the SAI's most important clients

70 Both the SAI and the legislature must monitor the proper use of public funds. The legislature mainly exercises political oversight over budgets. The SAI provides professional, impartial, and independent audit work to supplement the legislature's role.

71 In most countries, the legislature is one of the main addressees of SAI audit reports. The legislature's oversight of the budget is most effective when the legislature can rely on information from the SAI. The SAI has the expertise and resources to analyse and assess government expenditure, with access to official sources of information. In turn, the SAI is most effective in improving the management and oversight of budgets when the SAI can rely on the legislature to support audit recommendations to the government. The legislature, as a democratically elected body, can translate audit findings and recommendations into effective pressure on government to improve financial control, efficiency, and, ultimately, public sector performance.

72 A close relationship between the SAI and legislature can be a key factor in maximising the use of audit reports, if the structure of public sector governance permits such a relationship. This point mainly applies to those SAIs that operate under the Westminster or Board/Collegiate model (see Annex 1).

73 SAIs may rely on various structures for this cooperation. Even in countries where the SAI and the legislature are expected to work closely together and appropriate systems are in place, the elements presented below are subject to the restraints imposed by the legal and social frameworks of INTOSAI countries. The specific mandate and working arrangements of the SAI and the legislative committee within the accountability process vary between countries. Views on accountability and its objectives may range from identifying and punishing criminal behaviour to ensuring that auditees comply with legal and other norms.

l) Specific legislative committee

In many countries, a specific legislative committee (such as a budgetary control committee or public accounts committee) reviews all matters related to external audits. This committee is the SAI's main contact for dealing with audit findings and conclusions and endorsing them, where appropriate. In a number of cases, audit reports are reviewed individually. The ministries concerned are required to implement the SAI's recommendations. Some SAIs do not have the authority to enforce having ministries comply with these recommendations. In such cases, a sustained audit impact can happen only if the legislature requires the executive branch to follow the recommendations made in the audit reports. The SAI may encourage the ministry to comply with the requirements by setting deadlines and arranging for the committee to follow-up on the matter at a later date (see item V below).

II) Permanent representative of the SAI

A permanent representative of the SAI should attend all meetings of the relevant legislative committee. He or she should also serve as the SAI contact point for relevant members of the legislature. Before, during, and after the meeting, he or she may answer questions or receive requests for audit or advisory work.

The permanent representative is also responsible for sharing documents and information (such as agendas, meeting documents, and minutes) with the appropriate audit managers within the SAI. The audit managers should in turn keep the permanent representative informed about major developments in current audit activities if these developments are relevant to specific committee meetings.

III) Attendance at committee meetings

The audit managers responsible should attend the committee meetings when their audit reports are discussed. In this way they can present audit findings and recommendations and give testimony to legislators. Being present also allows auditors to see how the legislature receives and discusses the SAI's findings and recommendations. When audits are of major importance, the SAI Head may also attend committee meetings.

To help the SAI representative prepare to make decisions, the chair or secretary of the committee should send the agenda of each meeting to the SAI in advance.

IV) Selection of audit reports

The SAI should not send every audit report to the legislature, except where national legislation requires the SAI to do so. Instead, it should send reports that deserve special attention, such as those that have fundamental or financial importance.

The legislature's interest in audit reports may depend on how current the topic is. Legislators tend to take an interest in audit findings if the problems stated can be addressed at an early stage.

V) Presentation of audit reports

To support the relevant legislative committee, SAIs may prepare a one- to two-page summary of each audit report to be discussed, ending with a proposed resolution for the committee. The committee may set certain requirements for the ministry concerned. For example, the committee may ask the ministry to take a certain action within a specific period of time and report on progress achieved. The SAI may take part in drafting such reports. In this way it can evaluate the steps the ministry has taken and brief the committee on what has been achieved. (See item VII below).

VI) Contacts and communication

The success of the SAI's proposals, suggestions, and interventions largely depends on whether the senior managers are able to interest the relevant legislators in the matter in question. Simply sending a report to a legislator may not be enough. Personal contact is needed to make legislators aware of the audit report's significance. Senior managers may wish to discuss audit findings with relevant legislators before a full committee hearing on the audit report takes place. Doing so will enable the SAI to offer updated information on the issue and explain its point of view.

At the beginning of each legislative period, the SAI should approach new members of the committee to make contact and offer support. The Head of the SAI should contact the chairperson of the committee personally.

VII) Follow-up

A formal structured procedure should be put in place for following-up on the implementation of resolutions that the relevant legislative committee has adopted based on the SAI's reports. Fixed deadlines should be set for action that the ministry must take. The ministry should report regularly to the committee on the progress of implementation. The legislative committee will set the reporting deadlines when it specifies what action is needed. The SAI should evaluate the implementation and then share its evaluation with the legislative committee as a follow-up report. The committee will take this report into account in its follow-up review (see items I and V above).

Help the media understand the audit reports

74 The media is an important source of information for legislators and their staff, audit entities, and the general public. Legislators are very busy people. Many of them do not have time to read long audit reports. However, they usually follow the media closely. One way for SAIs to get their message out is to have the media transmit it for them.

75 Where SAIs make their audit reports available to the general public, the use of the SAI's website can be very effective to reach the maximum audience. SAIs should also make a special effort to ensure that journalists understand audit reports and can communicate their messages without distorting them. It is best to target journalists and media outlets that are most likely to be interested in the report's messages.

These efforts could include holding a media lock-up so that journalists have enough time to digest the report before their deadlines and giving them an opportunity to ask the audit team questions. The SAI could also prepare news releases to give to journalists along with the report and hold a news conference. All these measures will help ensure that journalists understand the report and can communicate its messages clearly. Key strategies include the following:

- **Media lock-ups.** Holding media lock-ups allow journalists to digest a report, ask questions, and prepare their columns or news reports before an audit report is published. Sometimes such lock-ups involve keeping journalists in a closed room so they cannot file a story until the audit report is made public. In other cases, journalists agree not to report on the findings until a pre-set time. Strict conditions must be in place to ensure that the audit report remains confidential before it is released. If a SAI believes that premature press leaks are likely for certain reports, then other conditions may need to be set. SAIs may have to ban electronic communication devices and cell phones from the media lock-up and allow only accredited journalists (usually members of the legislative press gallery) who have signed a confidentiality agreement to take part.
- **Question-and-answer practice sessions.** It can be useful to offer auditors practice sessions before they attend the media lock-up. These sessions focus on the kinds of questions that journalists are likely to ask.
- **News conference.** Before the report is released publicly, the SAI can hold a news conference. At the news conference, the Head of the SAI or his or her representative delivers an opening statement and answers questions from journalists. The focus of the opening statement should be on key messages, findings, and conclusions, with few details given.
- **Media interviews.** Once the report is public, senior SAI officials can be available for media (print, radio, and television) interviews.
- **New media.** Some SAIs are starting to use social media as ways of getting short messages out to wider – often younger – audiences.

Use civil society organisations to increase reach

76 Citizens are often unaware of the role of the SAI and how its work can affect their lives. To build an engaged citizenry that is interested in holding government to account, the general population's budget and audit literacy must be increased. Civil society organisations (CSOs) can help build citizen literacy about the role of the SAI and about issues of financial management and oversight.

77 SAIs can create a way for CSOs, based on their close contact with citizens, to alert the SAI to potential problems and ask that an audit be performed. These requests may be made directly to the SAI or indirectly through the legislature.

78 SAIs can encourage CSOs to take SAI findings and share them widely and in accessible ways – for example, using posters or radio broadcasts to let village communities know about key risks when new schools are being built in their communities. For example, the risk that suppliers will use low quality materials or that foundations will not be sufficiently deep.

79 CSOs can also look into issues that arise from an audit report. These groups can help monitor the auditee's follow-up to an audit report and legislative hearings. Along with attention from the media, this monitoring can place pressure on the auditee to take corrective action. Here are some examples of initiatives by CSOs:

- a citizens' group tracked the actions a provincial administration took after reported cases of corruption were identified in the Auditor General's reports, and made the results available to the public on the CSO's website;
- a research and advocacy organisation obtained hundreds of pages of accounting records from the Ministry of Health using the national freedom of information law and identified large-scale corruption in a contract awarded to a private agency for an HIV/AIDS prevention programme;
- a human rights organisation successfully filed a lawsuit to get a copy of the minutes of the hearings of a congressional commission that was responsible for reviewing a SAI's public audits, and initiated action based on the audit's recommendations; the organisation used these records to highlight the commission's failure to require corrective actions to respond to audit recommendations;
- a coalition of CSOs complained about a district's repeated awarding of contracts to a private firm that had been doing poor-quality work; the complaint led to a SAI investigation. The Auditor General corroborated these claims and identified a skewed tendering process. Funding to the district was stopped until evidence that the problem had been corrected was provided; and
- vigilant citizens used SAI audit reports that the executive had shelved to demand an inquiry into failures in a food entitlement programme for poor households; this inquiry led to several officials responsible for the programme being dismissed.

Give development partners the information they need

80 Development partners know that SAIs play a key role in the wider system of accountability. These partners seek ways to support SAIs in developing practical ways of undertaking reforms. Reform activities can range from minor technical assistance to long-term coordinated programmes of institutional support. Development partners may use SAIs to do audits of programmes and projects that receive funding, and may support this work through capacity-building initiatives. SAI reports on such projects give assurance about how funds from development partners are used and allow SAIs to show their growing levels of professionalism.

81 SAIs that receive support from development partners need to keep them informed about audit reports. SAIs should send development partners copies of published reports along with details of any financial or non-financial impacts that arise from audit reports. Development partners are particularly interested in beneficial change that arises from SAI recommendations or from the legislature's response to audit reports.

82 Most SAIs report their financial or compliance audit findings once a year. SAIs should give development partners copies of annual reports and individual audit reports that fit the development partners' areas of interest. Some SAIs conduct workshops for development partners so that they understand the key results of the SAI's work. In turn, the development partners can use the results of audit reports to maintain pressure on key ministries to improve their performance and to identify further ways they can support a government in its attempt to improve public financial management.

83 SAIs should seek feedback from development partners about the audit reports they produce. Subject areas could include scope, technical content, quality, and accessibility. Feedback from development partners can provide an independent view and can help SAIs to improve their reports.

Conclusion

84 Producing an audit report is part of a wider process for achieving beneficial change. Audit reports should not be seen as an end in themselves, but rather as a key part of the process of making government systems and processes transparent and accountable. If the audit report is not read and understood by the right people, improvements will not happen. Making reports more readable, more accessible, and more relevant to all stakeholders is essential. It is also important to engage with those who can help the development of the audit and the audit findings, and with those who can communicate the messages of the report to stakeholders. Two key steps in making the best use of the investment contained in the audit report include sending decision makers and those who are responsible for implementing improvements the information they need at the right time and in the right way, and following-up on the implementation process to make sure that the correct action has been taken.

Annex 1: Key features of the different SAI models

SAI Model	Westminster model (Audit Office)	Board/Collegiate model	Judicial model (Court of Accounts/Audit)
Head	Auditor General (AG)	President/Board of Presidents	President/First President
Organisational structure	Monocratic All rights, powers and responsibilities are vested in the AG hierarchical structure	Collegiate Independent members with a fair amount of freedom to choose working methodologies and audit approaches; decisions are made by colleges of members or a board of members or both	Collegiate Independent members are also judges who can impose penalties or sanctions
Accountability system	Parliamentary Parliament authorises all expenditure; government departments and other public bodies produce annual accounts; SAI audits those accounts; AG reports to Parliament or to the parliamentary committee responsible	Parliamentary Parliament authorises all expenditure; government departments and other public bodies produce annual accounts; SAI audits those accounts; colleges report to Parliament or to the parliamentary committee responsible	Judicial Parliament authorises the annual budget; public accountants are responsible for proper expenditure and for drawing up annual financial statements; Ministry of Finance prepares national accounts; SAI audits individual accounts and either dismisses individual officials or imposes penalties; SAI audits national accounts and reports to Parliament
Relations with Parliament	Close relations with the parliamentary committee responsible, which holds government or public bodies accountable based on the SAI's reports	Close relations with the parliamentary committee responsible, which holds government or public bodies accountable based on the SAI's reports	Little or no relationship with Parliament
Types of audit	Financial audit, certification audit, and value for money/performance audit are all done as separate exercises, Regulatory Impact Assessment	Regularity/compliance audit, performance audit, Regulatory Impact Assessment	Regularity/compliance audit with sanctions, performance audit without powers of enforcement, Regulatory Impact Assessment
Reporting	All audit findings are reported to Parliament or to the parliamentary committee responsible	Audit findings are reported to Parliament or to the parliamentary committee responsible	Annual report is made to Parliament and/or Head of State on the implementation of the state budget

Annex 2: Key sources of further information

Publications

ISSAI 3000: *Standards and Guidelines for Performance Auditing Based on INTOSAI's Auditing Standards and Practical Experience*

ISSAI 3100: *Performance Audit Guidelines – Key Principles*

ISSAI 4000: *Compliance Audit Guidelines – General Introduction*

ISSAI 4100: *Compliance Audit Guidelines – For Audits Performed Separately from the Audit of Financial Statements*

“Dialogue on Civil Society Engagement in Public Accountability,” 7-8 November 2006, Manila, Philippines; Workshop Report, United Nations Division for Public Administration and Development Management, Department of Economic and Social Affairs

“Expanding Collaboration between SAs and Civil Society,” *International Journal of Government Auditing*, April 2007; Vivek Ramkumar, International Budget Project, Center on Budget and Policy Priorities, Washington, DC

“The Role of Civil Society Organisations in Auditing and Public Finance Management,” 2005; Vivek Ramkumar and Warren Krafchik, The International Budget Project

“What Role Can Civil Society and Parliament Play in Strengthening the External Auditing Function?” Warren Krafchik, Director, International Budget Partnership, Ethiopia, 2003

Websites

INTOSAI: <http://www.intosai.org>

ISSAI: <http://www.issai.org>



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INTOSAI Capacity Building Committee website:
<http://cbc.courdescomptes.ma/>

