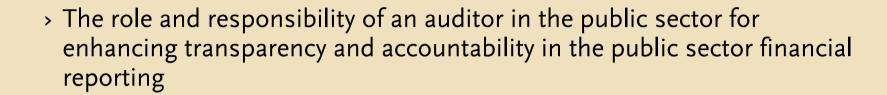
Auditors role on promoting transparency and accountability

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- > The presentation demonstrates the responsibility referring to the requirements in the international audit standards for supreme audit institutions (ISSAIs) focusing on financial audit.
- > SAIs are independent with diversified mandates and context!





Presentation topics

- Why transparency and accountability in financial reporting social contract
- > Role of the Supreme Audit Institution (SAI)
- > Role of the Financial Auditor
- > Conclusions



The Social Contract – why accountability and transparency

Citizens, enterprises (tax, etc)

Public Sector budget

Financial statements with relevant information

Obligations, activities:

- Welfare obligations
- Interventions financial markets
- Co-operation with private sector
- => Debts, liabilities, provisions, value of assets etc



- > Finance and debt crisis
- > International studies (IMF etc.) observed poor reporting from the public sector:
 - Diversified accounting standards,
 - No consolidated financial reporting,
 - Not all debts and future obligations were included,
 - No reporting on risks



> EU Survey (2014 ICAEW/PWC):

- Fewer than 1 in 5 Europeans feel that their government provides them with sufficient information about the state of public finances.
- Only 1 in 5 Europeans express confidence in their government's ability to manage public finances.
- The countries with the highest levels of distrust are also the ones where there is a greater demand for financial information.
- > New laws and regulations for private sector (EU, IFRS)
- > Where are the auditors?





The evolution of the auditor

> The counting – ticking off – auditor



The thinking and analytical auditor!







The role of the SAI

- > Lima Declaration and UN resolutions (66/208, 69/228) recognizes the importance of the SAIs in the PFM context
- > Promote accountability, transparency, effectiveness and efficiency in the public administration
- > Act professionally
- > Expectations from the citizens and other stakeholders





International Audit Standards for SAIs – organization level

ISSAI 12 - Value and benefits of an SAI

- Acting in the public interest places a further responsibility on SAIs to demonstrate their ongoing relevance to citizens, Parliament and other stakeholders.
- > Strengthening the accountability, transparency and integrity of government and public sector entities
- > SAIs should strive to promote, secure and maintain an appropriate and effective constitutional, statutory or legal framework.





International Audit standards for financial audit

ISSAI 200, 1210 – evaluate the financial reporting framework

- > The nature of the entity
- > The purpose of the financial statements (whether they are prepared to meet the common financial information needs of a wide range of users or the financial information needs of specific users)
- > Prescribed by law and regulation



Acceptable financial reporting frameworks normally exhibit certain attributes that ensure that the information provided in the financial statements is of value to the intended users:

- Relevance the information provided in the financial statements is relevant to the nature of the audited entity and the purpose of the financial statements;
- Completeness no transactions, events, account balances or disclosures that could affect conclusions based on the financial statements are omitted;
- > <u>Reliability</u> reflects the economic substance of events and transactions and directs disclosures, measurement, etc.



- > Frameworks prescribed by law or regulation
- →will often be deemed acceptable by the auditor
- > BUT in those cases where the framework is prescribed but not adequate
- → ask management to provide the necessary additional disclosures in the financial statements to avoid their being misleading and
 - → the auditor should evaluate the effect of the misleading nature of the financial statements on the auditor's report and the opinion, (ex. EOM)
 - → consider the need to inform the legislator





Conclusions

- In cases where no financial statements are presented the SAI should probably act (ISSAI 12)
- > In cases where financial statements are presented the auditor needs to evaluate whether the financial reporting framework is adequate and the Financial statements includes all relevant financial information for decisionmaking.. (ISSAI Financial Audit)



> Thank you!

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Reference material exaples:

- > IMF Technical notes Transition to Accrual Accounting (September 2009)
- > IMF Fiscal Transparency, Accountability, and Risk (August 2012)
- > ICAEW/PWC Trust in public finances A survey of citizens in 10 European countries (October 2014)

