IDI/ADB project 'Sustainable Performance Audit Practices in Asia and the Pacific' - Phase II

ENVELOPE 4

Enhance Follow-up Systems for Performance Audit

What is a Robust Follow-up System for Performance Audits?

Releasing the audit report does not signify the completion of the audit process. The International Standards of Supreme Audit Institutions (ISSAIs) require the Supreme Audit Institution (SAI) to continue monitoring whether the audited entity has effectively addressed the identified problems and rectified the underlying issues within a reasonable timeframe.

Additionally, the SAI is expected to provide the legislature, if possible, with reports on the outcomes and impacts of the corrective actions taken. Follow-up encompasses the proper implementation of the SAI's recommendations, which represent the tangible added value resulting from audits. Consequently, follow-up holds utmost significance for SAIs to ensure the effectiveness of their work.

> We define **follow-up** as the SAI's examination of the corrective actions taken by the audited entity based on the results of the performance audit. By conducting follow-up, the value of the audit process is enhanced, thereby increasing its impact. The SAI has the flexibility to choose the approach for follow-up, which may involve conducting a new audit or adopting a simplified procedure.
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> Following up on performance audit recommendations on a sustainable basis require a **robust follow-up system. Such a system is purpose-driven nature, institutionalised, sustainable, facilitates learning, inspires dialogue, and fosters a positive culture**[1]. Setting up such a system involves putting in place appropriate structures and processes for follow up, deciding on how the SAI will measure and demonstrate audit impact and having competent staff to manage the system.

Why should SAIs invest in robust follow-up systems?

For SAIs to establish themselves as **credible** and **trustworthy** bodies that deliver value, it is crucial to demonstrate adherence to ISSAIs and ensure that their audits have the desired impact. This necessitates SAIs to prioritize **compliance of follow-up activities with ISSAIs**.

Follow up helps SAIs in **managing the biggest risk of performance audits -** the potential failure to add value.

Obtaining reliable information about the status of implementation of recommendations and the overall **impact of audits** assists in demonstrating the value and benefits provided by the SAI.

Follow up not only contributes to **learning and growth** for the audited entity, it also contributes to learning and growth for the SAI, in terms of providing insights into the effectiveness of SAI audits and stakeholder expectations.

How can robust follow-up systems be established or updated?

Developing robust follow-up systems for performance audits requires robust organisational systems and competent professionals in a SAI itself as well as organizational learning and fostering a positive culture in audited entities.

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[1] Five elements of a robust follow-up system.

Setting up of an impact driven follow up system is a dynamic and iterative process that begins with visualizing the SAI's aspirations or goals, and then determining the **path from the current follow-up system in place to the desired future follow-up system**.

1) The journey starts from **reviewing the current setup for follow up in the SAI and comparing that with requirements of the standards, the SAI mandate and local context.**

2) The SAI then decides on its **aspirations** for follow up, takes stock of its **resources** and develops and implements a plan for enhancing the robustness of its follow up system for performance audit.

   The plan would identify actions to enhance or setup a follow up system for PA in terms of its **purpose-driven nature, institutionalisation, sustainability, ability to facilitate learning, inspire dialogue and foster a positive culture.**

   The plan can also identify actions to develop processes and methodologies for reliable **measurement of audit impact** to demonstrate value of the SAI performance audit practice.

3) SAI will also need to monitor the implementation of the follow up actions and evaluate the functioning of the follow up system as a whole.

What support will IDI provide under this envelope?

As part of Phase I, SAIs would have identified their needs for sustainable PA practices including robust follow-up systems. These needs will serve as the starting point for the support provided.

The IDI will:

1) Support the SAI in deciding on their PA follow up aspirations based on the results of the needs assessment.

2) Help the SAI in developing an action plan for setting up / enhancing PA follow up system on a sustainable basis.

3) Provide professional education on follow up systems for SAI PA auditors.

4) Help with the implementation of some of the actions in the plan.

The specific scope, structure, and timeline of this support will be determined through detailed discussions involving the IDI team, the SAI's top management, and technical leaders.