



Comments on Practice Note for ISA 320

All members of INTOSAI were asked to give comments on the Re-exposure Draft of Practice Note to ISA 320 preferably in the format of the following questions:

1. Do you agree with the stated applicability for the ISA in the Public Sector environment?
2. Do you agree with the stated additional guidance given in the Practice Note?
3. If not what other areas/guidance do you think should be added?
4. In your opinion will the drafted guidance together with the respective ISA provide relevant guidance for the public sector auditor when performing financial audits?

Comments provided by	General comments	Specific comments on stated questions	Expert comments and suggested actions
UK	<p>Do you agree with the stated applicability for the ISA in the Public Sector environment?</p> <p>Yes</p> <p>In your opinion will the drafted guidance together with the respective ISA provide relevant guidance for the public sector auditor when performing financial audits?</p> <p>Yes, excepts for the part noted.</p>	<p>Do you agree with the stated additional guidance given in the Practice Note? If not what additional area/guidance do you think should be added?</p> <p>Yes, in all but one case: In paragraph 10 the following are not qualitative aspects that are necessary to consider when determining materiality levels;</p> <ul style="list-style-type: none"> ○ bullet six - the likelihood of the matter being subject to improper payment, potential fraud, or other illegal acts. This is a risk factor, which should be considered in light of materiality, albeit that fraud or irregularities may be issues for which 	<p>Agreed. Bullet point 6 deleted.</p>

	<p>expanding or acquiring public funds) might be introduced to the standards. It is important in a situation when a SAI audits not only financial statements of the auditee as a whole, but also other statements being the basis for the budgetary settlements.</p>	<p>effectiveness of controls or compliance with laws and regulations. The evaluation of effectiveness of controls has an impact on the scope of the reliability examination and should not be excluded when justifying the opinion.</p> <p>Ad. ISA 320</p> <p>The following issues need, in our opinion, to be widened:</p> <p>a) reference to the materiality when the audit covers both final statement (ex. annual) and periodical statements (monthly or quarterly) which are used to follow-up and supervise the way of expending or acquiring funds, provided such statements are required by contracts or laws;</p> <p>b) using by individual SAIs the uniform materiality criteria for statements of the same kind; we could introduce a regulation that it is advisable, when auditing public funds settlements, for the thresholds not to exceed those used when auditing the private sector.</p>	<p>Noted, but not considered relevant for the Practice Note</p> <p>Noted, but not considered relevant</p>
<p>Sweden</p>	<p>1. Do you agree with the stated applicability for the ISA in the Public Sector environment? Yes, we do.</p> <p>2. Do you agree with the stated additional guidance given in the Practice Note? If not what additional areas/guidance do you think should be added? Yes, we do.</p> <p>4. In your opinion will the drafted guidance together with the respective ISA provide relevant guidance for the public sector auditor when performing financial audits? Yes, we believe it will.</p>		<p>Noted, no actions required</p>

Italy	<p>I have examined the draft Practice notes to ISAs 265, 320, and 620 and also considering that they comply with the audit procedure of the Italian Corte dei conti, in my opinion:</p> <p>a) the above-mentioned ISAs are applicable in the public sector environment.</p> <p>b) the additional guidance given in the relative Practice notes well underline specific aspects of the public sector environment.</p> <p>c) there are not specific features concerning the audit of public financial statements in a Court of Accounts system that need additional specific guidances.</p>		Noted, no actions required
Czech Republic	<p>We agree with the stated applicability for ISA 320 given in Practice Note to ISA 320.</p> <p>We think that the drafted guidance to ISA 320 together with ISA 320 provide relevant guidance for the public sector auditor.</p>		Noted, no actions required
Lithuania	<p>1. Do you agree with the stated applicability for the ISA in the Public Sector environment? Yes</p> <p>4. In your opinion will the drafted guidance together with the respective ISA provide relevant guidance for the public sector auditor when performing financial audits? Yes</p>	<p>2. Do you agree with the stated additional guidance given in the Practice Note? If not what additional areas/guidance do you think should be added? It would be useful to specify performance materiality in public sector.</p> <p>1. when auditors shall use performance materiality</p> <p>2. if they decide to use what factors they should consider</p>	Noted, no actions required. The concept of performance materiality is applied as stated in the ISA.
Morocco	<p>We have great pleasure to receive from your part the draft of INTOSAI practice notes to ISA 620- Using the work of an auditor's expert; ISA 265 - Communicating deficiencies in</p>	<p>When determining materiality (Page 5) for planning purposes in the public sector both quantitative and qualitative matters as well as the nature of items, the legislation and</p>	<p>Respondents are suggesting minor clarifications. Not sure whether respondent are</p>

	<p>internal control to those charged with governance; and ISA 320 – Materiality in Planning and Performing an Audit.</p> <p>We have examined these drafts, and we would congratulate you for the richness of their contents and their usefulness for the auditors of the public sector including those of Courts of Accounts.</p> <p>The comments we have formulated here on these notes, see please the attached file, are intended as a sharing of experience reflecting how things are practiced in our Court of Accounts. These comments imply that these practice notes are applicable to public sector auditors in general and those of Courts of Accounts in particular.</p> <p>We hope these comments would be of help and we will be pleased to give any precision in this regard.</p>	<p>regulatory measures are of importance. The context in which the matter appears may be of importance namely political, social or public interest context (because of the importance of transparency). Furthermore, the inherent nature or characteristics of items, or groups of items, may render them material.</p> <p>Considerations specific to determining materiality levels in the public sector (page 10: paragraph A2): when determining whether an item is material by virtue of its nature, public sector auditors, relying on their professional judgment, take into account qualitative aspects such as:</p> <ul style="list-style-type: none"> • The context in which the particular matter appears, for example if the matter is also subject to compliance with authorities, legislation or regulations, or if legislation or regulation prohibits overspending of public funds, regardless of the amounts involved: • The number of persons or entities affected by the particular matter. • The nature of the transactions that are considered sensitive to users of the financial statements. • Public expectations and public interest, including emphasis placed on the particular matter by relevant committees in the legislature, such as a public accounts committee. • The need for legislative oversight and regulation in a particular area. 	<p>suggesting a merge of P5 and P10. No changes included.</p>
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<p>Hungary</p>	<p>1. Do you agree with the stated applicability for the ISA in the Public Sector environment? Yes, we agree with the stated applicability of the PN in the public sector environment.</p> <p>2. Do you agree with the stated additional guidance given in the Practice Note? If not what additional areas/guidance do you think should be added? Yes, we do. We did not identify any further guidance to be added.</p> <p>4. In your opinion will the drafted guidance together with the respective ISA provide relevant guidance for the public sector auditor when performing financial audits? In our opinion the drafted guidance and the respective ISA provide relevant</p>		<p>Noted, no actions required</p>

	guidance for the public sector auditor.		
Zambia	<p>Do you agree with the stated applicability for the ISA in the Public Sector environment? Yes, its applicable to the financial statements in the public sector.</p> <p>Will the drafted guidance and the respective ISA provide relevant guidance? In our opinion, the drafted guidance and the ISA will provide relevant guidance when performing financial audits.</p>	<p>Do you agree with the stated additional guidance given in the Practice Note? There is need to provide a practical example in the guideline pertaining to the calculation and interpretation of the qualitative and quantitative factors of materiality.</p>	<p>Noted, no actions required. P10 provide guidance that are sufficient</p>
Canada	<p>We agree ISA 320 is applicable to the public sector.</p> <p>We agree with the guidance provided in the Practice Note.</p> <p>We consider the examples provided in the Practice Note to be useful.</p>	<p>In our opinion, the Practice Note together with the respective ISA provides relevant guidance to the public sector auditor; however, we suggest the following revisions to clarify some of the messages in P12 :</p> <p><i>Public sector auditors may have additional objectives such as reporting on instances of non-compliance with authorities or for reporting on the effectiveness of controls related to the audit of financial statements. As such, auditors should consider these additional objectives when planning the audit of financial statements, including establishing different materiality levels for these objectives. For example, when reporting on the effectiveness of controls, the auditor may use a benchmark based on the percentage of transactions or monetary amounts sampled to determine materiality for evaluating control deviations. When reporting on controls and compliance with authorities, the auditor may take into account the legislators' and/or regulators' expectations regarding cost-effectiveness of controls and non-compliance to determine materiality for evaluating instances of non-compliance.</i></p>	<p>Noted and partly accepted. P12 changed to clarify.</p>

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