

27 March 2019

**SENT VIA E-MAIL**

The International Organisation of Supreme Audit Institutions  
Secretariat of the Working Group on Key National Indicators

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Re: Exposure Draft on development and use of key national indicators.

Dear INTOSAI:

On behalf of The Institute of Internal Auditors' (IIA) Global Board of Directors, I thank you for the opportunity to comment on the Exposure Draft related to project 3.10 of the IFPP Strategic Development plan.

The IIA has aided sound governance and risk management efforts in public- and private-sector organizations for more than 75 years. Our more than 190,000 members are part of a global voice that encourages strong internal controls and an enterprisewide approach to risk management.

We solidly endorse your objectives to provide methodological support to Supreme Audit Institutions (SAIs) conducting audits of development and use of key national indicators (KNIs); to enhance SAIs' capacities in conducting performance audits of preparedness to implement and monitor implementation of the U.N. sustainable development goals; and to support knowledge sharing regarding the audits of development and use of key national indicators among the SAIs worldwide.

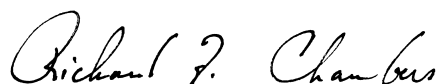
In carefully reviewing the Exposure Draft, The IIA notes several areas that it believes warrant comment:

- The suggested definition of KNIs (paragraph 14) states that they are “used by the government in order to set objectives...” The IIA sees KNIs as a means of managing, measuring, monitoring, and reporting, but not as dictating policy. Policy should be determined by national priorities, with KNIs then following. The definition also could go further to clarify the value of KNIs in communicating results and impacts.

- The possibility of risk to independence is real and something the guidance rightly highlights. We understand this risk: Internal auditors, too, are independent and need to ensure that their independence is safeguarded. While SAIs are appointed by government, work for government, and report to government, and so are never purely independent (Section 5.1.), the key to safeguarding independence is in understanding the source of that independence and the realization that independence is always only relative – for SAIs, as well as for internal auditors. Paragraph 38 is important in reminding SAIs not to select indicators, as that could erode independence. However, there may be situations in which government has not established indicators for some of its policies and, therefore, in auditing that area, the SAI will need to determine appropriate criteria, which may include the use of KNIs.
- In terms of looking for skills and resources, SAIs should be encouraged to consider drawing upon the expertise of internal auditors.
- The process described at the national level by which SAIs support governments in the development and use of KNIs is mirrored by similar processes within government entities and regional and local government and the support provided by internal audit.
- Procedures (paragraph 26) should include a reference to use of the work of internal auditors. ISSAI 1610 and INTOSAI GOV 9140 are both relevant here.
- The paper describes a goal of INTOSAI and SAIs as promoting good governance and accountability, which is also a key goal of internal auditing. This is worth noting and understanding as it paves the way for useful partnering between these functions.
- The paper (quoting ISSAO 300) describes performance auditing as “an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness.” The same definition could be applied to internal auditing. The independence of internal auditing is secured through reporting to an independent audit committee (reference INTOSAI GOV 9140). Its objectivity is secured through this, in addition to the application of rigorous and systematic procedures and an objective mindset.

The IIA thanks INTOSAI for the opportunity to comment on this important aspect of good governance. Please do not hesitate to reach out to Francis Nicholson, The IIA’s Global Advocacy Managing Director ([francis.nicholson@theiia.org](mailto:francis.nicholson@theiia.org)), should you have any questions in this regard. The IIA is happy to offer any support to the Group in developing related guidance that may be of assistance to SAIs and internal auditors in their quest for good governance.

Best regards,



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Richard F. Chambers, CIA, QIAL, CRMA  
President and Chief Executive Officer