

**Subcommittee on Internal Control Standards
Progress Report 2014-2016**

**68th INTOSAI Governing Board Meeting, Abu Dhabi, December 2016
XXII INCOSAI, Abu Dhabi, December 2016**

November 2016

Members

28 SAIs: Austria, Bahamas, Bangladesh, Belgium, Bolivia, Brazil, Chile, Cook Islands, Costa Rica, Cuba, Egypt, El Salvador, France, Georgia, Hungary, Jamaica, Libya, Lithuania, the Netherlands, Oman, Poland (Chair), Romania, Russian Federation, South Africa, Spain, Tanzania, Ukraine, United States of America, and two observers: the Institute of Internal Auditors (The IIA) and the International Federation of Accountants (IFAC).

Scope of Activity

The Subcommittee on Internal Control Standards is tasked with the development and promotion of good practices in the field of internal control, and with establishing more focused managerial accountability in the public sector, including cooperation with internal audit functions in the public sector.

With regard to the ISSAI Framework, the Subcommittee on Internal Control Standards is responsible for the maintenance of INTOSAI GOVs 9100-series, related to internal controls and cooperation with internal audit.

Activities in 2014-2015: Maintenance of INTOSAI GOVs 9100-series

In the years 2014-2015, the Subcommittee works focused on the activities related to the maintenance of INTOSAI GOVs 9100-series, in accordance with the ISSAI maintenance schedule¹.

Over this time, the Subcommittee met twice: in May 2014 in Vilnius, Lithuania, and in September 2015 in Bucharest, Romania. At the meeting in Vilnius, teams were established to deal with initial assessments related to the planned revisions, and further steps were discussed. At the meeting in Bucharest, a series of specific decisions were taken with regard to the maintenance of INTOSAI GOVs 9100-series. These were the following:

1. Starting the revision of INTOSAI GOV 9100 *Guidelines for Internal Control Standards for the Public Sector* with a view to being approved by INCOSAI in 2019. The revision would consider *COSO Internal Control – Integrated Framework* of 2013, and the revised version of INTOSAI GOV 9100 was envisaged to include elements related to reporting on internal control, currently comprised in INTOSAI GOV 9110.
2. Resignation from INTOSAI GOV 9110 *Guidance for Reporting on the Effectiveness of Internal Controls: SAI Experiences in Implementing and Evaluating Internal Controls* as a separate document. Elements related to reporting on internal controls would be included in the revised version of INTOSAI GOV 9100, while examples of good and bad practices on internal control reporting would be presented on the Subcommittee website and regularly updated.

¹ According to the ISSAI maintenance frequency schedule, reviews of INTOSAI GOV 9100-series should start in 2016.

3. Continuation of works on the revision of INTOSAI GOV 9130 *Guidelines for Internal Control Standards for the Public Sector – Further Information on Entity Risk Management*, to be adopted by INCOSAI 2019. The revised INTOSAI GOV 9130 will be consistent with the revised INTOSAI GOV 9100 and the updated version of *COSO Enterprise Risk Management – Integrated Framework*.
4. Revision of INTOSAI GOV 9140 *Internal Audit Independence in the Public Sector* and INTOSAI GOV 9150 *Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector* that followed a review of the recent developments in the field of public internal control and public internal audit, and an analysis of the questionnaire distributed among INTOSAI members. The planned revision proposed: (1) a merger of the two GOVs to a new INTOSAI GOV *Internal Audit Effectiveness and Cooperation with SAIs*, underlining the importance of internal audit for good governance; (2) introduction of the concepts of the Three Lines of Defense, the potential benefits of a more developed internal audit service to management, and the Audit Committee function, as concepts on voluntary, non-mandatory basis; (3) elaboration of some definitions, when possible in line with The IIA definitions.
5. Filling the Subcommittee website with up-to-date set of reports and examples. The methodology of the EUROSAI IT Working Group (CUBE) would be tested with regard to its usefulness for the needs of the Subcommittee.

The project proposal for the revision and merger of INTOSAI GOV 9140 and 9150 was developed early 2016, and was supposed to be presented to the PSC Steering Committee in May 2016, together with project proposals on the revisions of the other INTOSAI.

2016: Planned Revision of the INTOSAI Framework of Professional Standards

At the meeting of the Steering Committee of the Professional Standards Committee (PSC SC) held in Copenhagen in May 2016, a proposal for the revised framework of the INTOSAI professional standards was presented. The proposed new framework was aimed, among others, at clearly distinguishing between the mandatory standards, non-mandatory guidance and other guidance. The proposal observed that INTOSAI GOV documents served a variety of purposes and had few common denominators. Hence, the document stated that an assessment would be needed in the case of all INTOSAI GOV documents to determine whether they should be included in the auditing guidance, or should not be included in the revised framework.

In the light of the above, not knowing the future position and purpose of the INTOSAI GOVs 9100-series, the Subcommittee on Internal Control Standards was advised by the PSC Secretariat to postpone the works on the planned reviews and revisions until the final decisions are taken regarding the future composition of the INTOSAI framework of professional standards. These decisions are expected to be announced at INCOSAI 2016. That is why the Subcommittee did not submit any project proposals to the PSC SC in 2016 – since they might need updating and re-approval, after the new framework has been set.

Therefore, the Subcommittee temporarily ceased their works on the reviews and revisions of INTOSAI GOVs. These will be continued once the future destination of the documents is determined, as well as their position in the new INTOSAI framework of professional standards.

For the same reason, the Subcommittee members did not meet in 2016, and postponed their meeting until 2017, once the future of their documents has been decided and their subsequent works can be planned accordingly.