

## Harmonization of the International Standards of Supreme Audit Institutions - Revision of the Fundamental Auditing Principles

### Project proposal – for approval by the PSC Steering Committee at its meeting in Copenhagen 5-7 May 2010:

*The project proposal has been elaborated and agreed upon by the Chairs of the PSC Subcommittees on Financial Audit, Compliance Audit, Performance Audit and the PSC Chair. Emphasis has also been put on input from the initial assessment and the regional representatives of the PSC Steering Committee.*

#### 1. Purpose and scope of the project

The purpose of this project is to provide a conceptual basis for public sector auditing and ensure consistency in the ISSAI framework.

The project has the following goals:

- Goal A:** Revise the ISSAI 100-999 Fundamental Auditing Principles, in order to ensure that:
- they describe the general role and auditing function of a SAI and are relevant and useful for all members of INTOSAI;
  - they provide overview and further references to the full set of ISSAIs where more operational guidance is provided;
  - they provide a consistent set of concepts and an improved link between ISSAI 1 The Lima Declaration and the new set of comprehensive guidelines that are launched in 2010
- Goal B:** Make the limited editorial changes in ISSAIs 10-99 which are necessary in order to carry the revision of ISSAIs 100-999 through and improve consistency between the two levels of documents.
- Goal C:** Ensure alignment between the ISSAI 1000-4999 Implementation Guidelines and the new set of ISSAIs 100-999 Fundamental Auditing Principles. The alignment includes:
- consolidating the terminology of the full set of ISSAIs 100-4999 in accordance with a general glossary for the ISSAI Framework and ensure updated cross-references between the different ISSAIs;
  - considering the extent to which there is a need to make further amendments in the ISSAI 1000-4999 guidelines as a consequence of new ISSAIs 100-999 Fundamental Auditing Principles, e.g. in areas where text is moved from the guidelines to the principles, or where unintended differences between the different sets of guidelines exist.
- Goal D:** Consider the extent to which the ISSAI 5000-5999 Specific Guidelines can be aligned with the ISSAI 100-4999 and the general ISSAI terminology established under goal C.

The scope of the project is the guidance on auditing provided by the ISSAIs.

This does not include:

- the further overlaps and inconsistencies which may exist between the different documents at level 2 ISSAIs 10-99;
- harmonization of the INTOSAI GOVs or between the INTOSAI GOVs and the ISSAIs.

## 2. Background

INTOSAI's Framework for Professional Standards was established by an INTOSAI official document approved by INCOSAI in 2007. By this decision a range of different documents that had been approved by INCOSAI in the past many years were classified into four levels and systematically numbered. All documents relevant for auditing were collected into one set of standards – The International Standards of Supreme Audit Institutions (ISSAI).

In the six years leading up to INCOSAI 2010, the PSC has filled the Framework with further documents in areas, where no guidance existed or the existing guidance was considered insufficient by the PSC Steering Committee and the PSC Subcommittees.

By 2010 the PSC's accomplishments will include achievement of its goal to provide a comprehensive set of practical guidelines at level 4 of the ISSAI Framework:

- FAS has developed a full set of ISSAI 1000-1999 Financial Auditing Guidelines, that provide practice notes to the International Standards on Auditing issued by IFAC.
- PAS has supplemented the existing guidelines with a new ISSAI 3100 with improved guidance on performance auditing.
- CAS has provided a full new set of ISSAI 4000-4999 Compliance Auditing Guidelines establishing compliance auditing as the third branch of auditing

This will allow the PSC to move on to the next challenge: To develop the present collection of ISSAIs, which have been developed over a long time span by a range of different workings groups, task forces and subcommittees, into a truly coherent set of standards.

## 3. Planned ISSAIs

The planned deliveries may be changed by the project group during the project with approval of the PSC Steering Committee. Deliveries include the following:

- **ISSAI 100-series – Basic concepts:**
  - Purpose of the ISSAI framework.
  - The objective of public sector auditing [terminology from the mapping].
  - The role and function of SAIs [terminology from the mapping and the work on “Value and benefits of SAIs”].
  - Authority of the ISSAI framework:
    - The ISSAIs are not mandatory.
    - What does it mean to state compliance?
    - How do we refer to the ISSAIs?
  - Considerations for judicial role [terminology from CAS].

- Basic concepts: assurance, materiality, assertion based and direct reporting, audit criteria, subject matter, risk assessment, using the work of others [the meaning of the different concepts will depend on the nature of the auditing task].
- Basic structure of audit processes [depending on the audit conclusion]:
  - Reporting and communicating our findings.
- The three areas of auditing and different ways of combining them [briefly relate the terms to the concepts used in ISSAI 1 The Lima Declaration].

### **ISSAI 200 Financial Auditing**

#### **Overview**

These will be based on ISSAIs 1000 – 2999.

### **ISSAI 300 Performance Auditing**

#### **Overview**

These will be based on ISSAIs 3000 – 3999.

### **ISSAI 400 Compliance Auditing**

#### **Overview**

These will be based on ISSAIs 4000-4999.

The PSC Subcommittees will consider making editorial changes in the ISSAIs 1000-4999 in order to establish the consolidated general ISSAI glossary as described under goal C.

In addition, the considerations provided for by goal D may result in changes in the ISSAI 5000-5999 Specific Guidelines. This will be the responsibility of the INTOSAI Knowledge Sharing and Knowledge Services Committee (KSC).

## **4. Organization and process**

A project group is established in order to complete the project by 2013.

The group is chaired by Denmark in its capacity as PSC Chair and responsible for the ISSAI Framework. The group should include the following appointed members:

- At least 2 members from each of the three PSC Subcommittees that are responsible for implementation guidelines: FAS, PAS and CAS. We will strive for regional representation and for representation of various SAI models in this group.

The project group will consult representatives of INTOSAI as deemed necessary.

The numbering and timing of the different draft ISSAIs should be addressed by the project group and agreed upon by the PSC Steering Committee.

The project should be carried out in accordance with the due process for developing, revising and withdrawing ISSAIs and INTOSAI GOVs.

The project group will consider existing ISSAIs, the initial assessment made and other relevant standards in line with the dual approach.

Should the project group during the conduct of the project find that the planning, organization or key project directions need to be revised, it may at any time ask the PSC Steering Committee to take renewed decision.

## **5. Approval of this project proposal**

This project proposal is presented for approval by the PSC Steering Committee at its meeting in Copenhagen on 5-7 May 2010.

4 March 2010