

Implementation of SDP 2020-2022

Progress report on Component
One for the Governing Board



INTOSAI
PSC

Professional
Standards
Committee

Component ONE of the Strategic Development Plan: Analysis of the IFPP

(Progress report at 2 October 2020)

1. The aim of this report is to provide the governing board with an account of the progress made on implementing component one of the 2020-2022 Strategic Development Plan. In it we describe the work done in reviewing the INTOSAI Framework of Professional Pronouncements, provide an overview of key issues we identified in the preliminary stage of the analysis, and give an outline of the next steps.

Component one as part of the Strategic Development Plan

2. The 2016 INCOSAI established a planning tool to guide and organise its standard setting work: the Strategic Development Plan (SDP). The first SDP had the very clear aim of taking forward the necessary initiatives to migrate the former ISSAI framework into the new INTOSAI Framework for Professional Pronouncements (IFPP). This has mostly been achieved.
3. The second SDP covering 2020 to 2022 built on input from a wide consultation and technical review of current documents. Recognising that the migration to the IFPP resulted in little change to the underlying documents, it set an overall objective *“to slim down the core framework to the essential by making it simple, principles-based and future-proof”* and *“...to ensure it is useful by making it up-to-date in content, accessible in format and flexible in application”*¹. In order to progress towards achieving this, the SDP established three components: the first being *“reviewing and refining the conceptual framework”*.

Implementing Component One

4. The aim of component one is to review and analyse the **clarity** (of concepts and drafting) **and presentation of the framework**.
5. The review **will not question the formal requirements** of the framework content, **nor make proposals for changes to the substance of those requirements**. As such the review will not propose changes to the way audits are done and so auditors will continue to work as they do currently. Development of new pronouncement material (components two and three of the SDP) continue in parallel, while being cognisant of the outcome of this project.
6. We have started the process by reviewing the pronouncements for the audit of performance and compliance, both in respect of their structure and content.
7. The pronouncements concerning the audit of financial statements are somewhat different. The requirements are those set out in International Standards on Auditing (ISAs) issued by IFAC, over which INTOSAI has no responsibility nor the direct power to change. Furthermore, many of the key documents in this area developed by INTOSAI are currently under review. We therefore gave first priority to analysis of the performance and compliance content; that on financial will follow.
8. Because of the working conditions caused by the ongoing pandemic, the component one review has progressed less quickly than we had hoped. The situation is also likely to

¹ https://www.issai.org/wp-content/uploads/2019/10/2_SDP-FINAL.pdf (see page 7)

have been instrumental in the low response to our call for participation in the project². However, recent outreach by the PSC secretariat across the community has stimulated considerable interest (see next para), and we are expecting many more contributions to the process.

9. The review work has been undertaken by the PSC secretariat team, with support from the newly-established Technical Support Function. We are pleased to have received written feedback to the first stage of the analysis from the Capacity Building Committee, Performance Audit Subcommittee, Compliance Audit Subcommittee, Internal Control Subcommittee, Working Group on the Value and Benefits of SAIs, Compliance Audit Subcommittee and FIPP.
10. Work on the review will continue during the remainder of 2020 and in 2021, starting first with an analysis of the first round of feedback received, identification of any further points, and then deepening the analysis in specific areas. We aim to present the results of the comprehensive analysis, and identification of possible options and recommendations on the way forward to the governing board at the 2021 meeting. The resulting projects will represent a basis for inclusion in the new SDP for 2023-2028. All projects will subsequently go through the established due process.
11. In the next steps we intend to:
 - examine and analyse the first round of feedback received, and take this into account in the analysis;
 - extend the analysis to material covering the audit of financial statements and information (financial audit), as well as any other material points of interest;
 - further the analysis on the key points already identified (see below), ensuring extensive detailed consultation as necessary; and
 - issue a technical survey to all SAIs on the main issues to ensure the widest possible input and feedback.

In undertaking this review we aim to make the process evidence-based, and as **inclusive, transparent and objective** as possible.

Summary of the key points identified to date

12. We identified a number of issues that hamper the clarity and ease of use of the pronouncements we assessed. These notably include the IFPP structure, links between pronouncements, and the structure individual pronouncements.
13. A number of these issues are legacy of the organic growth of the framework, whereby individual pronouncements were drafted at different times by different teams.
14. As regards the structure of the framework and links between pronouncements, we identified the following:
 - a significant level of repetition across pronouncements, sometimes not using the same wording, and sometimes involving an illogical progression of detail;
 - unclear relationship between pronouncements, and inconsistencies in making references across the framework;

² Invitations sent to CBC, KSC, working bodies of PSC and FIPP in February 2020.

- framework not yet principles-based, despite this being a stated objective, and no clear description – or common understanding – of what this means;
 - unclear difference between the requirements in the form of principles and standards in the individual pronouncements (more linked to the name of documents rather than the nature of their content), and the volume of information they should present together and separately;
 - multiple usage of the term ‘principle’ across the entire framework (INTOSAI-Ps and ISSAI pronouncements 100, 200, 300 and 400);
 - possible issues – constraints and complexities – arising from the definition of audit types;
 - meaning, content and placing of guidance, both within and outside the framework.
15. Issues linked to the individual pronouncements include:
- their complicated structure, resulting in multiple placement of entries within the same document, and sometimes misplaced entries;
 - inconsistencies in introducing requirements with headings and misleading headings;
 - cases of a disproportional level of detail in certain requirements, which could be more conveniently covered placed in the explanations; and
 - cases of unclear drafting and inconsistent approach to using terminology (saying the same things in different ways).
16. Other points may arise as we continue the analysis

Other considerations

17. The IFPP is a framework made available in the public domain and for the benefit of both public audit professionals, as well as the users of our output. This is in the spirit of the INTOSAI’s underlying belief that shared experience is mutually beneficial. In turn, the quality of the framework and its contents – notably clarity, relevance and usability – reflects directly on the credibility of INTOSAI.
18. Since the framework was first conceived, considerable time and resources have been devoted to bringing the content to its current comprehensive form. The result – which has had a marked impact on public audit worldwide – is an undoubted testament to the commitment and hard work of all those involved. As we consider the future direction and development of the next generation of the framework, we have the responsibility to build on this strong legacy.
19. During the time INTOSAI has been developing the framework, the world has changed significantly. There are now many new opportunities arising from developments in communication and information management technologies. INTOSAI strives to be at the forefront of such developments and to lead by example.
20. Taking these issues into account, and learning from practical experience and feedback received, the review has shown that the IFPP should be:
- relevant and useful for the developing and developed SAIs alike, requiring us to explore what this means in practice and how it should be reflected in the framework;
 - attractive for potential new users, particularly young auditors who have been brought up in an ‘online’ world;

- easy to access and intuitive to use, notably in facilitating the identification of all relevant material;
- future proof (including reducing the amount of subsequent updating needed), as far as this can be achieved in practice; and
- be based on common agreed standards (so ensuring an appropriate minimum) rather than simply reflecting current practice.

Conclusions

21. Following a slow start, largely caused by the coronavirus pandemic but also the complexity of the task, the component one review has now started to elicit a considerable amount of input, some quite passionate. This is a positive sign that the issues raised are important. More practically, the different points of view are helping to enrich the analysis and better frame the issues.
22. That said, much of the input received thus far is from SAIs and working bodies that have been heavily involved in the preparation of the framework. In order to widen the consultation to widest possible range of SAIs, most of whom are normal users of the framework, we intend to prepare a focusing technical survey to get feedback on some of the key issues raised. This will help ensure the review is inclusive, and as far as possible based on empirical evidence.
23. It is also important to emphasise that the component one review is not the end of a process, but another step on the journey that should help set the template for the future of the framework (or “next generation of ISSAIs” as FIPP described it in their input to the current SDP), and the principles underpinning it. It should result in the identification of the development work projects to be undertaken by INTOSAI’s working bodies (where the specialised expertise resides). Naturally, these projects will pass through the due process.
24. Achieving the goal will be a time-consuming and demanding process for all the parties involved. It will require involvement of the goal chairs as well as FIPP, and may result in a need for higher degree of cooperation between the CBC, KSC and PSC and their working bodies.
25. We will present the next report with the results of the analysis and options and recommendations on the way forward to the 2021 GB. This will in turn provide the basis for input to the strategic planning for standard setting for the 2023-2028 period.