



**INTOSAI
PSC**

Professional
Standards
Committee

16th PSC Steering Committee Meeting

5-6 June 2019, Warsaw, Poland

Minutes

Session 1 – Opening Session

Mr Wojciech Kutyla, Vice-President of SAI Poland, on behalf of Mr Krzysztof Kwiatkowski, President of SAI Poland, opened the meeting and warmly welcomed the delegates.

Mr Ricardo Becker, Head of the International Relations Department of SAI Brazil, addressed delegates on behalf of Mr José Múcio Monteiro, President of SAI Brazil and Chair of the PSC. He highlighted the main accomplishments achieved by the PSC in the last year.

Ms. Danièle Lamarque, Vice-Chair of the PSC, addressed delegates, pointing out the main topics to be discussed at the meeting, highlighting in particular the discussion and approval of the next Strategic Development Plan.

The meeting agenda was approved by the PSC-SC members.

Session 2 – Midterm Review – Goal 1 of the INTOSAI Strategic Plan

Mr Becker presented the main activities carried out by the PSC to achieve the strategic objectives established in the INTOSAI Strategic Plan for Goal 1 (Professional Standards) and the main risks related to each of these objectives.

It was highlighted that main themes mentioned in the PSC reporting dashboard would be largely discussed in specific sessions during the meeting, such as the technical support function, the new SDP, a new protocol for the translation of pronouncements, interpretation of pronouncements and feedback loop.

Session 3 – Implementation of the 2017-2019 Strategic Development Plan (SDP)

The PSC Secretariat, noting that we are arriving to the end of the period of the first SDP, proposed discussing the main achievements of the SDP 2017-2019, as well as the lessons learned. The results of the discussions would be fed into the process of implementing the next SDP and would be communicated to INCOSAI.

The PSC Secretariat drew specific attention to the following points:

- the preamble of INTOSAI P-10, already approved by GB in 2018;

- the exposure periods for the projects on the GUIDs on Jurisdictional Activities of SAIs and on the Audit of Key National Indicators have come to an end, and they would likely be ready for approval this year;
- other projects which are at different stages and which will be completed by 2022;
- the project groups for the projects related to Guidance on financial auditing (SDP Project 2.1) and on Obtaining an understanding of economy, efficiency and effectiveness in the context of a performance audit (SDP Project 3.8), have recommended not to continue the projects.

The PSC Secretariat further mentioned that when conveying to INCOSAI the result of this first 3-year cycle of the new standard setting process, it will be important to stress that even though there are fewer pronouncements being endorsed as compared to other years, the quantity of pronouncements should not be the measure of success. The improved quality process in the new process should be emphasised instead.

Ms. Åse Kristin Hemsén, FIPP Chair, brought the FIPP's perspective on the implementation of the first SDP. She outlined what had been achieved, noting that further improvements are still required. She pointed out that it takes time to have a well-functioning standard setting arrangement. The key lessons learned, in FIPP's opinion, were the following:

- it takes time to make a good initial assessment of projects;
- the first SDP had little information about the ideas and concepts behind the projects. This made it challenging in most cases to properly scope the projects;
- finding sufficient and appropriate resources to carry out projects was a problem, which caused delays in the development of some of them;
- it is important to define better the roles and responsibilities in the standard setting process, but it is also relevant to improve communication during the development of the projects, among the actors involved (e.g. project groups, FIPP and the responsible Goal Chair).

Ms. Hege Larsen, from the PAS Secretariat, highlighted the following points:

- since 2017, the PAS has been committed to the implementation of the SDP and is participating in several projects, although finding sufficient resources to do so is always challenging. One possibility to overcome this difficulty, used in the current SDP, is that PAS (and the other PSC subcommittees) could play an advisory role rather than participating as members of the project group. However, dedicated PAS advisors have experienced that this role eventually evolves into a demand for more support. This is a consequence of the fact that the first SDP left very little room for realistic planning. In addition, many projects included all three audit types, which created a high demand for resources from PAS, CAS and FAAS in particular;

- PAS considers there is a need to streamline the IFPP, which should contain only standards and guidance directly related to standards covering the three audit streams, rather than subject matter specific guidance;
- PAS made an initial assessment for SDP project 3.8 (related to the 3Es in performance audit). Following a thorough assessment, the conclusion was not to move forward with the development of professional pronouncements. PAS will address these issues in the revision of the IDI Handbook for performance audits, and consider the need for additional guidance on the 3Es.

Mr Pawel Bañás, ICS Chair, mentioned that ICS is responsible project 2.6 on Internal Audit and project 2.5 on Internal Controls. The exposure draft is under preparation for project 2.6. Project 2.5 remains in a conceptual stage, as its scope is likely to broaden. The ICS concluded that INTOSAI has important aspects to add about internal controls from material which other important actors have already developed, e.g. COSO, IIA, OECD. It is important that INTOSAI bring to the pronouncements the perspectives of public administration and audit. The ICS plans to prepare for winter 2020 a project proposal for a user-friendly GUID that will include more IT-related aspects.

On the lessons learned about the implementation of the SDP, according to Mr Bañás there is a need for better clarification of roles and responsibilities in the standard setting process. He also mentioned the need of better communication between the project groups and the FIPP liaison officers, as this would save time and avoid confusion during the development of the projects.

Mr Vishnukanth, representing the KSC Chair, briefly mentioned the situation of the projects that the KSC is responsible for coordinating. He highlighted that the project related to IT audit (SDP project 2.8) is likely to be presented in time for approval at INCOSAI as the exposure periods are over and the project group is already working for presenting endorsement versions for approval by FIPP at its next meeting.

Mr Vishnukanth mentioned the following challenges that were faced during the period of implementation of the first SDP:

- as the whole standard setting process had changed, communication with the working groups and projects teams about FIPP and about the new due process was challenging;
- for several stages of due process it was perhaps not clear to working groups what FIPP expected from them;
- establishing proper channels of communication between the project groups and the FIPP liaison officer took some time to develop.

Some of the lessons learned, from the KSC perspective, were:

- the importance of a thorough initial assessment for each project;
- the relevance of the role of the FIPP liaison officer;
- the need of fluid communication between the Goal Chair, FIPP liaison officers and project groups.

Mr Vishnukanth mentioned that CAS is responsible for project 2.2 (guidance on compliance audit), for which the exposure draft is being finalised, and for project 2.3 (combined audits), where the project proposal is being reviewed.

From the CAS perspective, the main lessons learned were the following:

- the importance of carefully drafting project proposals;
- the importance of the Technical Support Function (TSF), considering the scarcity of resources;
- FIPP's approval should state what is expected from project groups in the following stages;

Mr Vishnukanth also highlighted that CAS considers that more focus should be given to the implementation of current standards, rather than devoting resources to developing new pronouncements.

Mr Rémi Frentz, from SAI France, which is leading SDP project 2.12 (Jurisdictional Activities of SAIs), highlighted that the approval process for this project was very demanding, but in the end resulted in a good-quality document that is likely be presented for approval at INCOSAI. Due to the good communication between all the actors involved, it was possible to develop this important document in a relatively short timeframe.

Session 4: Interpretation of pronouncements and Feedback loop

The PSC secretariat presented a paper exploring the consequences of a lack of an authoritative body within the INTOSAI organisational structure for interpreting its standards.

The paper noted that the number of requests for interpretation of ISSAIs in recent years made to the PSC has been negligible. Moreover, the new IFPP is still under development, and thus it is not possible to estimate likely future needs for interpretation. The new framework is underpinned by a number of procedures in due process, which ensure that all draft pronouncements undergo public and specialised stakeholder scrutiny for clarity. Other major standard setting bodies (the IIA and the ISSAB), do not provide direct interpretation of their standards.

The PSC-SC agreed not to create a structure for interpreting standards, but rather to continue to monitor the volume of requests for clarification or interpretation (which would

be directed to those bodies with the specialist knowledge) to assess whether specific formal arrangements are required.

Furthermore, the PSC-SC decided to improve communication by establishing a network of INTOSAI standards liaison officers (ISLO), to be nominated by those SAIs that wish to take part, as well as by the various committees, structures and specialised bodies. This will provide a method and focus for receiving feedback at INTOSAI level, but also for targeted communication on standards issues back into the community. Following a general discussion, the PSC agreed to draft a proposal on how the feedback loop could work in practice.

Session 5: Translation of pronouncements

The PSC secretariat presented a discussion paper that addressed the theory and practice of translating INTOSAI pronouncements, identifying alternative ways to organise the process and making recommendations for the future. The PSC-SC accepted the paper's proposal to encourage the establishment of volunteer SAIs of specific language groups able to undertake the translation of documents. The PSC will establish a guideline for on how it might be organised and work. In addition, the PSC will monitor the progress and potential of machine translation for future use. Finally, the PSC-SC will continue to welcome ad hoc translations of pronouncements into non-official INTOSAI languages, and will continue to host them on the ISSAI website, accompanied by suitable caveats.

Session 6: Strategic Issues regarding the IFPP

Discussions showed the potential for a rethink and reconsideration of some of the basics underpinning the IFPP, both in terms of structure and content. This should take place at the start of the next SDP process to help define and develop what new documents are needed, changes required to current documents and those documents that can be withdrawn. Guiding principles that could be considered include making the framework as short and simple as possible, based around the principles approach already agreed. Guidance and other supporting material could then be made more accessible, flexible, interactive and collaborative. In other words, keeping the 'essential' in the framework, and the 'useful' outside it.

The PSC-SC agreed to:

- the FAAS proposal to replace the previous practice notes with a GUID (project 1.3);
- support the FIPP proposal for future drafting conventions to be prepared and consulted on in a more collaborative way, including the involvement of the three goal chairs;

Finally, the PSC-SC agreed that all INTOSAI GOVs be transferred and renumbered in the new framework, thus allowing them to be reconsidered as part of the reflections on the future of the framework in the next SDP.

Session 7: Implementation of the Technical Support Function (TSF)

The PSC secretariat provided more information on the activities to be undertaken by the TSF and on its management and work structure. The PSC-SC took note of the proposal to roll out the TSF by contacting SAIs worldwide to encourage submission of applications for staffing the TSF. Heads of SAIs will be provided with general information on how the TSF will operate as well as an application form. They will also be encouraged to visit the PSC-SC booth at the INCOSAI congress for more detailed information.

The PSC secretariat will review the application form to ensure that as many candidates as possible are encouraged to apply.

Session 8: Roles and responsibilities in INTOSAI standard setting process

The PSC secretariat pointed out that during the first three years after the introduction of the new standard setting arrangements, it became clear that there is a need to clarify certain of the roles and responsibilities in the process. Based on the lessons learned during the first SDP, this would be a good moment for such a reflection.

Any reflection on roles and responsibilities might consider three levels:

- *strategic* level: who is doing the thinking, who is giving directions to INTOSAI standard-setting (where we want to go and how do we get there)?;
- *management* level: who is managing the day-a-day activities, following-up the activities and projects, communicating with actors involved, etc?;
- *operational* level: relating to the stages outlined in due process of developing the pronouncements.

The feedback from different parties involved in the standard setting process showed the importance of effective communication, both internally and externally. Internally by improving coordination and collaboration between all those involved in standard setting, including having a clear understanding about roles and responsibilities and a clear decision-making process. Externally, by conveying to the INTOSAI community the results of standard setting work, being responsive to needs and supporting the implementation of standards. Similarly, communication with organisations engaged in similar activities is important in order to benefit from their experience and learn from what they are doing.

To address some of these issues, the PSC agreed to make communication issues a priority for the next cycle and to plan a strong communication strategy to launch the new framework during the next INCOSAI. The network of INTOSAI standards network officers,

agreed during session 4, will also provide a new communication channel to help in this process. By providing a method and focus for receiving feedback, but also for targeted communication on standards issues back into the community. The PSC will make a proposal for how this could work in practice.

The need for overall strategic guidance on the content of the framework was also identified as an important gap, especially in light of the plans for the SDP 2020-2022. The proposal to convene an ad-hoc group to offer advice on strategic direction on the content of the framework and support the PSC-SC on these matters was supported by PSC-SC members.

Finally, the issue of professionalisation and participation was raised by several participants. Many pointed out the need for further professionalisation of standard setting in INTOSAI and others highlighted that it is also important to keep the INTOSAI principle of inclusiveness in mind when discussing this issue. The practical experience of some participants showed that it is possible to guarantee inclusiveness while furthering professionalisation. The PSC-SC did not conclude on how to take this issue further.

Session 9: Miscellaneous

The PSC-SC discussed and approved the use of PSC funds for the coming year.

Session 10: INTOSAI Strategic Plan (2017-2022) and priorities for the PSC in 2020-2022

Mr Mohammed Al-Habib, representing the PFAC Chair, talked about the Performance and Accountability Report, a follow-up mechanism established at the INTOSAI Strategic Plan. He said that the report will be presented to the INTOSAI Governing Board in September and will have the same structure as last year's report. It will highlight the main results achieved by INTOSAI bodies, IDI and the regional organisations.

Ms. Monika Gonzalez, representing INTOSAI Secretary General, talked about the development of the next INTOSAI Strategic Plan, which will cover the period 2023-2028. It will be presented as a motion to the Governing Board in September to approve the creation of a task force to prepare the plan. She informed the PSC-SC that the SAI USA kindly agreed to lead the task force, as it has done for previous plans. The task force will start its work after INCOSAI, and SAIs, INTOSAI bodies and key external stakeholders will be consulted during the development of the plan.

Mr Peter Rostedt, representing EUROSAI, pointed out that INTOSAI should be realistic about what can really be achieved when developing a plan, considering the restriction of resources to it.

Ms. Dutra mentioned that the PSC Chair will prepare the PSC work plan for 2020-2022, that will include inter alia the following issues: implementation of the SDP, establishment of the technical support function, maintenance of the FIPP and communication issues.

Session 11 – New Strategic Development Plan

The PSC secretariat gave an overview of the document, how it was developed and its objectives. Based on the inputs received from the INTOSAI community, and the analysis from the FIPP, the SDP proposes to start the new cycle with a review and reflection period to deal with the issues identified. Three elements from the plan were presented:

1. Refining the framework, document formats and categories;
2. Identification and scoping of projects and initiatives;
3. Competency pronouncements entering the pipeline.

Though the PSC steering committee had previously decided that the SDP should encompass a six-year period, the PSC secretariat now believes that an SDP for three years from 2020-2022 would be preferable, as it would open the possibility to synchronise it with INTOSAI's strategic plan.

The PSC secretariat presented three questions for the members, before opening the floor for comments and questions.

1. Is the PSC-SC able to approve the SDP?;
2. Do you agree with the overall proposal to have a period of reflection and framework improvement, project identification and scoping?
3. How do we get buy-in from the INTOSAI Community to implement the Plan?

Mr Nobuo Azuma, from SAI Japan, asked what the difference was between the SDP proposed by the chair, and the SDP proposed by the FIPP. Ms Dutra clarified that the document from FIPP was the input used to develop the draft for the SDP.

Mr Jan Van Schalkwyk, from the CBC, commented that there had been much discussion earlier that morning about governance, and the goal chairs had to be more involved in the process. He said that even though the SDP document seemed to be much shorter now, it was still quite a long read. He pointed out that he was quite comfortable with the essence of the plan, and refining it should be easy. He congratulated the PSC for developing the plan.

Mr Rémi Frentz, from SAI France, questioned the reduction of the duration of the plan from six to three years. He challenged the fact that new projects would be frozen for three years, because it would show an incapacity to separate good projects from less good ones. In addition, he said that there could be an opposite impact to that intended as the FIPP has to monitor and regulate the flow of professional pronouncements, thus freezing any new

projects could encourage the working groups to produce non-papers on important issues. The PSC secretariat noted that there was no intention to freeze everything for three years. It reaffirmed that the first part of the SDP was to tackle fundamental issues, such as compatibility between ISSA 100 and ISSAIs 200, 300 & 400, or the clarity of ISSAI 100, and other matters that are fundamentally important for the coherence of the IFPP.

In addition, the PSC noted that there was a lot of repetition of the content of ISSA 100 in ISSA 300. Projects like jurisdictional guidance, which Mr Frentz used in his example, did not need to be frozen for three years, as it would be quite self-contained. However, the format of guidance, for instance, could be re-thought.

Mr Frentz pointed out that the projects in his examples were very different from existing documents, so there was no contradiction with the existing ISSAIs. In particular, he underlined that the future Guidance for best practices on jurisdictional activities, which will extend further the adoption of INTOSAI P-50, will start very soon as a main task for the Forum of jurisdictional SAIs and should therefore be included from now on in the SDP 2020-2022 and the FIPP workplan. Similarly, two draft guidance documents prepared by the Working Group on Value and Benefits of SAIs are of the utmost importance, and SAI France is fully committed to their completion: Guidance for cooperation between SAIs and executive, legislative and judicial powers and Guidance on SAIs communication policies should also be included in SDP 2020-2022 and FIPP workplan. The conclusion of the Vienna meeting of this Working Group (1st-2nd April 2019) explicitly refers to this request.

Ms Hensen, commented that during the consultation period there was little feedback received from the working groups. However, the work plans of these groups show they contain plans for new GUIDs, which FIPP would have expected to see in the input phase.

Mr Peter Rostedt, from SAI Sweden, stated that it was important to prioritise projects in the light of the complaints about the lack of resources that had come up frequently over the previous few days. He said that they had to consider that when other standards that are relied upon by INTOSAI were updated, such as those set by IAASB, it would also be necessary to update the corresponding ISSAIs or GUIDs. In relation to the question about getting buy-in from the INTOSAI community, Mr Rostedt said that the SDP ought to feature prominently at the next INCOSAI meeting.

Mr Van Schalkwyk sympathised with Mr Frentz's previous statements, and remembered that three years before, he made a passionate plea about competency standards. He also pointed out that projects come to FIPP when they reached the right level of maturity.

Ms. Larsen, mentioned that mandatory standard maintenance seems to have been forgotten in the process of developing the next SDP, and questioned whether these work-intensive tasks should be included in the Strategic Development Plan for the sake of realistic planning. Concerning feedback in the SDP consultation phase, she referred to the results of a PAS

hearing that concluded that there is no need for additional standards for performance audit. However, the PAS acknowledges that there may be a need for more guidance documents or other types of products to fulfil the need of the INTOSAI PA community. Further, the current SDP draft was deemed a bit unclear, especially when it came to deciding scope and responsibilities. The PAS also urged the inclusion of subcommittees' responsibilities in projects, in order to give an indication of the demand for resources from these committees.

Ms. Archana Shirsat, from IDI, mentioned that she liked that people were stepping back and looking at the framework. She said that the challenge was that this review called for a very integrated work, requiring everybody using the framework to look at it together. She also recommended that there should be no pronouncements on SDGs, as there was already a lot of other materials that SAIs could use on that matter.

Mr Simpson agreed adding that the PSC should consider setting up a voluntary advisory group to link to the working groups to give feedback on the projects. The advisory group would report to the steering committee on the following year with a proposal. Ms Hensen pointed out that after the first analysis, FIPP requested feedback on the list of fourteen initiatives, and the responses showed that there were many interrelations between these initiatives.

Mr Banaś, said he that that he wanted to be crystal clear on the status of FIPP suggestion as regards project 2.5.

Ms. Dutra responded that the PSC's proposal incorporated most of the initiatives presented by FIPP. She said that Project 2.5 had not been started in the current SDP, because the project proposal had not yet been approved. She mentioned that the PSC-SC had decided the previous year to prioritise again projects not formally approved. Project 2.5 could be included after the reflection phase, when project scoping would begin.

Ms. Colette Drinan, from SAI Ireland, asked for clarification on the timeline of the revision on ISSAI 140, on quality control. Mr Simpson confirmed that there was a working group under FAAS gathering feedback on ISQC 1 and the new ISQC 2 as part of the exposure process. He said that they would be looking at the implications on ISSAI 140 to decide on how to move forward.

Mr Jacek Jezierski, from SAI Poland, on the question on how to get buy-in from the INTOSAI community, said that PSC should think about a new channel of communication, prior to INCOSAI. He pointed out that the members need more information. He suggest a short and focused campaign about the transition, even prior to Congress, with a simple focus about the meaning of it, why it is being made, and what is expected from members in the future.

Ms. Monika Gonzales-Koss, from INTOSAI General Secretariat, proposed that something could be posted in INTOSAI's web page, and the General Secretariat could put the information in an e-mail, and send it to the SAIs.

Ms. Larsen returned to Mr Banaś' question about project 2.5. The PAS also questioned the status of the current GOVs in the framework, as they are in fact guidance documents and not standards. Further, the PAS added that if a project on SDGs is to be maintained for the next SDP, it is vital that the PAS is involved in an initial phase, as most audits of SDGs are performance audits.

Mr Simpson responded to the question about SDGs, how best to take the issues in account and how best to refer people to the resources that are available. He also said that the discussion about GOVs on the previous day was inconclusive, and asked if FIPP agreed now that they should delay the GOVs as well for the reflection period.

Ms Hensen responded that in the discussion in the FIPP meeting they had decided that they would not like to have many documents that were not part of the framework. However, FIPP would have to be pragmatic about this direction. In any case the framework should not have many documents with this "undecided" status.

Ms Dutra noted that a pragmatic decision would be to take the same approach to re-labelling and re-numbering documents from the old framework, namely that during the reflection period these work could be continued on these documents. As for the SDGs, the PSC secretariat has tried to show in the draft SDP that the topic was being reflected on while not specifically proposing a project in it.

Ms Hensen added that FIPP wanted to send a message to the SAI community showing that it acknowledged the risks about the SDGs, but that there did not necessarily have to be a new pronouncement.

Ms. Dutra said that all the comments would be considered, as well as the feedback from the CBC and KSC steering committees, based on which a new proposal would be submitted for approval of the PSC Steering Committee so the new SDP could be adopted by INTOSAI Governing Board.

Session 12: Closing

The PSC secretariat thanked the participants for their active involvement in the meeting, thanked the hosts for their excellent organisation and hospitality, and closed the meeting.