



Minutes

11th PSC Steering Committee Meeting 20 – 22 May 2014, Manama, Bahrain

1. Welcome

Bettina Jakobsen, chair of the PSC, opened the meeting and gave the floor to Auditor General Hassan Khalifa Al Jalahma, who welcomed the members of the PSC Steering Committee to Bahrain and expressed his hope for a productive meeting. He went on to brief the committee on the National Audit Office of Bahrain's main activities and active role as a promoter of the ISSAIs in the Arab region.

Bettina Jakobsen thanked Hassan Khalifa Al Jalahma for his kind words and for hosting the PSC Steering Committee meeting for the second time in seven years. She extended her warm welcome to all the participants and in particular to the many new delegates at this year's meeting, including PSC's new goal liaison from the SAI of Japan, represented by Nobuo Azuma.

2. News/proposals from the chair

Under this agenda item the chair briefed the Steering Committee members on the following issues.

PSC Main Committee meeting/INCOSAI 2013

Bettina Jakobsen briefly informed the delegates of relevant events at INCOSAI 2013 and the key points of the triennial PSC Main Committee, which had focused on the completion of the Harmonisation Project and the PSC members' expectations to INTOSAI's standard-setting activities. The panel discussion on the latter subject highlighted INTOSAI's increased responsibility for keeping the ISSAIs updated now that the SAIs refer to the ISSAIs in their audit reports, the difficulties experienced by SAIs of keeping up with the growing number of ISSAIs – and requirements – and the need to ensure reflection also of the users' perspective in the development of ISSAIs.

The concerns of the PSC members and their enthusiasm concerning the ISSAIs were subsequently reported to the Governing Board and the INCOSAI plenary assembly, which both welcomed the PSC's plans – as reflected in its mandate 2014-2016 – to evaluate and improve INTOSAI's standard-setting processes in close cooperation with the INTOSAI Task Force on Strategic Planning in order to ensure and develop INTOSAI's standards for public sector auditing.

Review of ISSAIs

At last year's meeting in Stockholm it was agreed that status on planned reviews of ISSAIs and INTOSAI GOVs should become a fixed item on the agenda. The following ISSAIs are currently being reviewed by the Knowledge Sharing Committee (KSC) to determine whether they need to be revised or withdrawn:

- Privatisation ISSAIs 5210-5240
- Environmental auditing ISSAIs 5110-5140
- IT audit ISSAI 5310
- International Institutions ISSAIs 5000-5010 (the KSC has asked the SAIs of UK and Norway, respectively whether they want to take on this task, since they were both involved in the original development of the ISSAI – is yet to be confirmed).

The review of ISSAI 30 Code of Ethics is headed by the SAI of Poland and Jacek Jezierski reported on the outcome of the review and next steps under item 5 on the agenda.

Principles for financial contributions

Since the call made at INCOSAI for voluntary contributions to the work of INTOSAI, two SAIs have come forward and made contributions. The SAI of Norway has donated EURO 10,000 and the SAI of Saudi Arabia has donated US \$ 3,500 annually for three years (2014-2016) – both for development and maintenance of INTOSAI's professional standards.

Draft principles - elaborated by the PSC Secretariat - for the use of such contributions were forwarded to the INTOSAI General Secretariat for commenting prior to the Steering Committee meeting and an adjusted copy was subsequently forwarded to the members of the Committee for information.

Monika Gonzalez had a minor correction to the document concerning renouncement of allocated budget financial means (item 1.2 in the draft), which requires approval only by the Governing Board.

With this correction, the draft principles will be submitted to the INTOSAI Finance and Administration Committee (FAC) for approval at its meeting in September this year.

MoU with The IIA

The new MoU with The IIA was signed in April. It contains no major changes compared to the previous agreement and the PSC is looking forward to continuing its close collaboration with The IIA for the next three years.

MoU with IFAC

Renewal of the INTOSAI/PSC MoU with IFAC had been considerably delayed, since it required feedback from the four individual chairs in IFAC that are parties to the MoU. A draft reached the PSC chair immediately before the departure to Bahrain and will be considered upon the chair's return to Denmark.

Purpose of INTOSAI's Professional Standards

At last year's Steering Committee meeting, it was agreed that the introduction to the ISSAI framework on the ISSAI website should be updated to reflect the changes following from, in particular, the adoption of the new Fundamental Auditing Principles on level 3.

Dagomar Lima had prior to the meeting provided valuable input to the document, which will be reflected in the final version of the introduction, as will the comments made by Greg Schollum at the meeting concerning the distinction between the ISSAIs and INTOSAI GOVs – standards versus guidelines – which should be clearer.

The PSC Secretariat will adjust the document to reflect these suggestions before a final version of the introduction is circulated among the Steering Committee members for approval in a written procedure following the meeting

3. Presentation of subcommittee working plans/ongoing projects

Common FAS/PAS/CAS collaboration plan

Mona Paulsrud introduced the three subcommittees' first common collaboration plan (Financial Audit Subcommittee, Performance Audit Subcommittee, Compliance Audit Subcommittee). The alignment of the level 4 ISSAIs on compliance and performance audit with the new fundamental auditing principles on level 3 had highlighted the need for increased coordination among the subcommittees and the common plan addressed both this issue and issues concerning feedback, interpretation and clarification of the INTOSAI standards and improved effectiveness of the subcommittees and PSC structures. Mona Paulsrud emphasized also the ambition of the three subcommittees to create more operational working plans.

FAS working plan

Khalid Hamid presented the FAS working plan emphasizing the members' determination to support implementation of the ISSAIs and their efforts to increase the capacity of FAS to do so. He went on to inform the Steering Committee of the tentative plans to develop the current ISSAI 1000 into a roadmap for ISSAI implementation in close collaboration with PAS and CAS. The purpose and scope of a revised ISSAI 1000 will be presented at the next FAS meeting in 2015.

Footnote in ISSAI 1000

At last year's meeting it was agreed to include a footnote in ISSAI 1000 – General Introduction to the INTOSAI Financial Audit Guidelines – concerning the transition period during which SAIs could continue to refer to the "old" ISSAIs on level 3. The members of FAS had now approved the footnote text, which falls into the category of minor and editorial and conforming changes that do not require approval by the Governing Board or INCOSAI, cf. section 2.2 in the INTOSAI Due Process.

The Steering Committee members approved the footnote, which will be translated into the five official INTOSAI languages and inserted in ISSAI 1000. The "old" INTOSAI Auditing Standards will be annexed to ISSAI 1000 as appendix 6.

PAS working plan

Dagomar Lima emphasized that ensuring alignment of the ISSAIs on performance auditing on level 4 with the new fundamental auditing principles on level 3 was seen as PAS' key task in this mandate period. Efforts would include development of new ISSAI 3000 supplemented by guidance on performance auditing.

Qasim Almadhoob asked if PAS had any plans to develop more guidance on performance auditing, which seemed to be the one of the three audit streams most in need of supporting standards. Richard Bellin was concerned about the risk of duplication of ISSAI 300 in the new ISSAI 3000, and Pawel Banas cautioned PAS not to treat performance auditing as an independent area of auditing – exempted from the principles of ISSAI 100 – but keep the close connection with financial and compliance auditing.

The chair agreed that there was a need for more detailed performance audit requirements and urged PAS to focus more on efficiency, effectiveness and economy, which are the three defining aspects of performance auditing

Amended project proposal

Dagomar Lima then presented the amended PAS project proposal concerning alignment of the level 4 performance audit guidelines with the new level 3 ISSAIs; the main difference from the first project proposal that was presented by PAS at the meeting in Stockholm was the decision to include explanations of the requirements in the standard, which in this instance is ISSAI 3000, and the guidelines will provide clarification and description of how to implement the requirements, i.e. ISSAI 3100 and ISSAI 3200.

The Steering Committee members approved the amended project proposal.

CAS working plan

Mona Paulsrud highlighted CAS' future close collaboration with FAS and PAS and its determination to engage further in the implementation of the ISSAIs. In connection with CAS' key task in this mandate period, i.e. the alignment of the level 4 compliance audit guidelines with the new level 3 ISSAIs, Mona Paulsrud emphasized the need to identify a common denominator across the various practices and audit institution types and referred to CAS' project proposal according to which the current ISSAI 4000-series will be developed into one authoritative standard on compliance audit, i.e. a new ISSAI 4000.

The presentation was followed by a discussion of the challenges related to developing one standard to encompass all the aspects of compliance auditing and address the many different practices of SAIs, depending on their audit mandate, type of audit institution, etc. There was general agreement that CAS should focus on establishing the common requirements and clarify the close interface of compliance audit with financial audit. Greg Schollum welcomed the development of a revised ISSAI 4000, but indicated that there might be a need for further guidance in the area.

Based on the great interest in the revision of the compliance and performance auditing guidelines, the chair suggested that CAS and PAS should circulate preliminary versions of the new ISSAIs to the Steering Committee members in December 2014 to give them an early opportunity to review and comment on the documents. This suggestion was accepted by the chairs of PAS and CAS.

The CAS project proposal concerning alignment of the current level 4 ISSAIs was approved by the Steering Committee members.

Internal Control Standards Subcommittee (ICS) working plan

Pawel Banas informed the Steering Committee that ICS is planning to revise INTOSAI GOV 9110 and INTOSAI GOV 9130 on internal control reporting and risk management, respectively, and present the new versions for adoption at INCOSAI in 2016. The ICS will also look at the INTOSAI GOVs from a more general perspective and consider whether they serve their purpose or should perhaps be further developed. ICS will also explore whether more can be done to raise awareness of the INTOSAI GOVs among government institutions.

Richard Bellin welcomed the subcommittee's plans to develop the INTOSAI GOVs further and referred to a recent meeting of the UN panel of external auditors in Vienna which had demonstrated both a lack of understanding concerning internal control requirements and the need for an internal control framework. Khalid Hamid supplemented by saying that having clear definitions of internal control requirements would enable the auditors to assess the performance of government entities also against these criteria.

Accounting and Reporting Subcommittee working plan

Stuart Barr informed the delegates that the subcommittee – in addition to its fixed duties concerning reporting on IPSASB developments and facilitating information exchange and knowledge sharing among SAIs – was considering developing guidelines on integrated reporting linked to ISSAI 4200 and IFAC’s discussion document on the same issue. Since CAS is currently revising the compliance audit guidelines on level 4 of the framework and developing one new standard instead of the current three ISSAIs in the 4000-series, the subcommittee has, however, decided to await the outcome of CAS’ efforts, before it initiates any development work in this respect. The subcommittee also has tentative plans to develop guidelines on financial reporting frameworks, but the members of the subcommittee have yet to agree on the deliverables.

4. CAS/PAS drafting conventions proposal

PAS and CAS had collaborated on a proposal for additional guidance to be included in the drafting conventions that were presented at last year’s Steering Committee meeting in Stockholm. FAS was not a party to this proposal since the financial auditing guidelines do not fit into the proposed format, but follows the ISA format determined by IFAC.

The purpose of the common PAS/CAS proposal was to ensure consistency in the presentation of auditing requirements and clarifying that the verb “shall” or “should” should be used only in connection with the auditing requirements, not in the narrative explanatory sections.

Dagomar Lima’s and Mona Paulsrud’s presentation of the proposal was followed by a discussion of the relevance of distinguishing between additional requirements and requirements and between conditional and unconditional requirements. Archana Shirsat asked about the level of detail of the requirements, since the IDI has established that many SAIs miss detailed requirements and descriptions of practice and a clearer distinction between requirements and general guidelines.

Beryl Davis suggested that approval of the drafting conventions be postponed to the third meeting day to allow for additional input to the document, and this suggestion was approved by CAS/PAS and the chair.

The slightly revised proposal (addition of the last sentence in section 3 of the proposal, “*The explanation describes more precisely what a requirement means or is intended to cover.*”) was circulated to the members of the Steering Committee in the morning of the third meeting day.

The amended drafting conventions proposal was then approved by the Steering Committee.

5. Initial assessment – review of ISSAI 30

Jacek Jezierski, chair of the review team, explained that on the basis of the analyses performed, which had included a survey among the members of INTOSAI, the team had concluded that a revision of ISSAI 30 was needed. He then explained the proposed scope, objective and direction of the proposed revision. The current members of the review team are prepared to do the actual re-drafting, but will seek to enlarge the group to ensure that all regions, if possible, are represented.

Several members of the Steering Committee expressed their support of the project and some stressed the importance of striking the right balance between drawing on the experience from the private sector, whilst at the same time drafting a code that suits the needs of the public sector. Also the balance between focussing

on the requirements to the individual auditor and the requirements to the SAI was highlighted in the discussion. Jacek Jezierski thanked the Steering Committee members for their comments and suggestions, which will be addressed by the review team in the process ahead.

The project proposal presented by the group was then approved by the Steering Committee

6. Evaluation of INTOSAI's standard setting

Bettina Jakobsen explained that the purpose of this agenda item was to update the Steering Committee on the preliminary evaluation results gathered by the PSC Secretariat. She went on to say that since the members of the Steering Committee are the ones that are best equipped to revise and make recommendations on INTOSAI's standard setting, she looked very much forward to the outcome of the group sessions planned under agenda item 7.

She then gave the floor to Kristoffer Blegvad, who introduced the background for the evaluation, made reference to achievements from INCOSAI and briefly outlined the process ahead..

PSC survey

Mette E. Matthiasen did a summary presentation of the results of the PSC survey on INTOSAI's standard setting that was conducted through the month of February 2014 among the members of INTOSAI that had previously been/or still were involved in developing or approving ISSAIs and INTOSAI GOVs.

The presentation and complete survey are available on www.psc-intosai.org

Benchmarking

Nanna Schnipper briefly explained the results of the benchmarking exercise done by the PSC Secretariat. The purpose of the exercise is to compare INTOSAI's and PSC's standard-setting setup with other organisations, not to do as they do, but to be inspired to improve our own standard-setting process.

Kelly Anerud (IFAC) and Phil Tarling (The IIA) supplemented the benchmarking presenting with brief presentations about the standard-setting processes in their respective organisations.

The three presentations are available on www.psc-intosai.org

IDI survey

Archana Shirsat and Shofiquil Islam then presented the key results from a survey done by IDI among the ISSAI mentors, experts and facilitators on their experiences with implementing the ISSAIs.

The presentation is available on www.psc-intosai.org

7. Discussions and group sessions on INTOSAI's standard setting

Bettina Jakobsen introduced this agenda item with a brief summary of INTOSAI's accomplishments within standard setting since the decision to establish and maintain a set of professional standards was taken in 2004. She referred to the many important suggestions that the members had brought up at the Johannesburg meeting during the theme debate on the future development of INTOSAI's standard setting and expressed the ambition that all the input received in the past and present could be bound together and presented as the PSC's overall vision and recommendations for INTOSAI's future standard setting activities.

Bettina Jakobsen then gave the floor to Kristoffer Blegvad who initially presented a number of key facts on INTOSAI's standard-setting activities, which served to illustrate the scope and complexity of the current production and organisational set-up. He went on to inform the delegates of the purpose and outcome of the meeting held with PAS, CAS, FAS, ICS and the PSC secretariat in Copenhagen in April in preparation for this year's Steering Committee meeting, which, among other things, had resulted in the identification of 10 challenges facing the PSC and INTOSAI and three development goals for 2028 for INTOSAI's standard setting.

Pawel Banas presented the three development goals and stressed that if the PSC wants to achieve its ambitions for the ISSAIs it needs to focus now on how they are developed, how they are used and how they are looked upon by the external stakeholders.

Kristoffer Blegvad then elaborated on the ten challenges (slide 18 in the power point presentation *Key facts on INTOSAI's standard setting*) that ranged from the need for increased coordination across the ISSAI framework to alignment with the culture of INTOSAI. In order to address these challenges – both in the short, medium and long term - five directional steps (slide 19 in the power point presentation *Key facts on INTOSAI's standard setting*) had been identified and these were presented by the chairs of FAS, PAS, CAS and ICS.

These presentations were followed by a discussion among the members, which, among other things, touched upon the opportunities of drawing on the expertise of close partners and enter into partnerships with bodies that can provide feedback on the PSC's structures, set-up and standards, and the need to further professionalize the standard-developing process in INTOSAI. Archana Shirsat welcomed the increased focus and determination of the subcommittees to prioritize implementation of the ISSAIs and Jan Van Schalkwyk expressed his full support of the five directional steps, which had many similarities with the principles that will govern the work of the CBC in the future.

Nanna Schnipper then introduced the group sessions. The Steering Committee members were divided into three groups that, in the first session, would discuss the steps considered necessary to reach the development goals and in the second session provide input to the SWOT analysis that will be part of the evaluation report. The input from the group sessions is not included in these minutes, but will be used by the PSC Secretariat when finalising the evaluation report. A summary of the SWOT analysis is available on www.psc-intosai.org.

8. Summing-up yesterday's discussions/conclusions

Kristoffer Blegvad summed up the discussions and outcome of the group sessions on day 2 of the meeting (power point presentation *Conclusions drawn from group sessions*). He went on to outline the next steps of the evaluation process, which will lead to the presentation of an evaluation report including recommendations to the Governing Board early in November. The recommendations will reflect that some of the issues and solutions that were discussed at the meeting were small steps or changes that could be implemented immediately, whilst others could be characterised as medium or long-term solutions requiring approval by the Governing Board and INCOSAI.

There are many stakeholders in the evaluation of INTOSAI's standard setting, and the PSC chair will involve and get feedback from all relevant bodies, including the INTOSAI Task Force on Strategic Planning. A first draft of the evaluation plan will be forwarded to the INTOSAI regions, FAC and PSC subcommittees for com-

menting towards the end of June. In late August/early September, i.e. quite close to the deadline for submission of the final report to FAC and the Governing Board, the Steering Committee and other relevant bodies will receive a final version of the report for commenting.

Bettina Jakobsen closed this agenda item by thanking the delegates for their support, engagement and valuable input to the report.

9. Update from IDI

Archana Shirsat and Shofiqul Islam from the IDI updated the committee on the 3i programme and the SAI PMF. Currently the IDI is supporting activities in AFROSAI-E, ASOSAI, EUROSAI, PASAI, CAROSAI, OLACEFS covering 102 SAIs and two sub-national audit offices. They will soon be starting up in ARABOSAI, and is seeking funding for projects in CREFIAF. The iCATs are currently available in English, Spanish and Arabic. The French version is coming soon. They have currently done 14 SAI PMF training courses in English, French, Spanish, Arabic and Portuguese

There were a few comments and a brief discussion about PSC's support to the quality assurance of the SAI PMF and IDI's other products given that they are closely linked with the standards. Archana Shirsat concluded on the discussion by thanking the Steering Committee members for their suggestions and offers of help, and by agreeing that the quality of the products is very important. She concluded that there are two parallel processes running at the moment – standard-setting and implementation – and that there is a need to figure out how these can function closely together.

IDI's presentation is available on www.psc-intosai.org

10. News from the Capacity Building Committee (CBC)

The SAI of South Africa has taken over the chair of CBC from the SAI of Morocco and with the assistance of the SAI of Sweden as vice-chair, the CBC has laid down a new strategy for the Committee, which highlights the CBC as a guardian of professional development and advocate of accreditation of public-sector auditors.

Jan Van Schalkwyk's presentation is available on www.psc-intosai.org

11. News from the Knowledge Sharing Committee (KSC)

Meenakshi Sharma summed up the working plan of the KSC for 2014-2016 and provided a status report on the progress of the review of the many ISSAIs that the Committee is responsible for keeping updated in accordance with the agreed maintenance frequency plan.

The presentation on KSC is available on www.psc-intosai.org.

12. News from the INTOSAI General Secretariat

Monika Gonzalez's report on the activities of the INTOSAI General Secretariat was focused on INTOSAI's involvement in various UN activities with special emphasis on the UN Post-2015 Development Agenda and the efforts to strengthen the position and work of SAIs through promotion and incorporation of the prerequisites for the proper functioning of SAIs (level 2 ISSAIs) in the agenda.

Monika Gonzalez also updated the Steering Committee on the progress of INTOSAI's strategic planning process 2017-22 so far and the steps ahead.

The progress report on the INTOSAI General Secretariat is available on www.psc-intosai.org.

13. News from IFAC

Jim Sylph, who has represented IFAC on the PSC Steering Committee meetings for several years and provided valuable input to the discussions, is now retiring and will be succeeded by James Gunn as managing director of professional standards. For this meeting, however, IFAC was represented by Kelly Anerud, who presented the latest news and mentioned that the organisation continues its heavy focus on standard setting, but also focuses on other important areas such as development and support for the profession, speaking out on key themes, and adding value to its members.

The presentation of recent developments in IFAC is available on www.psc-intosai.org

14. News from The IIA

Phil Tarling presented the latest news from The IIA, highlighting its overall strategic goals and plans and activities relating particularly to the public sector.

The presentation on The IIA is available on www.psc-intosai.org

15. Next meeting

The SAI of Canada has generously offered to host the PSC Steering Committee meeting in the spring of 2015 during the period 27 – 29 May 2015 (reception in the evening of 26 May). Whether it will be a two- or three-day meeting will be determined in due course.

Bettina Jakobsen then thanked the delegates for their active and committed engagement in the debates and valuable input to the evaluation report. She went on to thank also the National Audit Office of Bahrain for the excellent organisation and preparation of the meeting, and with these closing remarks, the meeting was adjourned.

10 July 2014