

Performance Audit Subcommittee

Project proposal submitted to the Professional Standards Committee

**Adaptation of the level 4 performance audit ISSAIs in the
light of the endorsement of the ISSAI 100 and 300
on Fundamental Auditing Principles**

["Amended PA Level 4 project"]

Proposal based on discussions at the PAS meetings of 27th/28th May 2013 held in Ottawa, Canada and of
7th/9th April 2014 in Amsterdam

1. Background

The PSC's Performance Audit Subcommittee (PAS) has the maintenance responsibility for the performance auditing guidelines which currently include the following documents:

- ISSAI 3000 Implementation Guidelines for Performance Auditing (endorsed 2004)
- ISSAI 3100 Performance Audit Guidelines: Key Principles (endorsed 2010)

The two ISSAIs were supposed to be reviewed by 2014 by the latest. However, as a consequence of the new Fundamental Auditing Principles, which were endorsed by INCOSAI in October 2013, it was concluded that a major revision of level 4 must be conducted. This project is to be finished by April 2015.

PAS proposes that the project initiated 2013 and approved by the PSC Steering Committee in 2014 will be extended to 2015, so that the complete set reviewed documents can be adopted in the INCOSAI to be held in Abu Dhabi in 2016.

The phases 1 and 2 of the project approved in 2013 were completed as initially envisaged. However, after consulting the chairs of CAS and FAS, it was clear that it is necessary to adopt a common structure for the standards. For this reason, the draft standard for performance audit demands additional consideration. This work includes the clear organization of requirements for performance audit and the corresponding explanation in a single document.

2. The initial assessment (cf. stage 1 of the INTOSAI Due Process)

The purpose of the initial assessment is to determine the categories of auditing or other tasks that will be covered by the document, to consider the differences among SAIs that must be accommodated and to ensure consistency with existing ISSAIs and INTOSAI GOVs.

At its meeting of 27th – 28th May 2013, the Performance Audit Subcommittee (PAS) worked on the initial assessment by analysing the implications of the expected adoption of the new level-three fundamental principles for the level-four standard and guidelines on performance auditing (PA).

In accordance with "the purpose and authority of INTOSAI's Professional Standards", it is necessary to lay down in level 4 a framework of standards and supporting guidelines for those SAIs that will make reference to this level.

This said, PAS takes the view that the existing guidelines set out in the current ISSAIs 3000 and 3100 (including their appendices and five practice papers developed by PAS) is rather comprehensive but needs to be reorganised and restructured on basis of the new fundamental auditing principles.

3. Scope and purpose

The **scope** of this project – the categories of auditing and other task covered - is limited to performance auditing and the project only affects the ISSAIs 3000-3999 Performance Auditing Guidelines. The content it will deal with is based on the contents of the “new” ISSAIs 100 and 300 fundamental principles documents, which were adopted at the 2013 INCOSAI and by the contents of existing ISSAIs 3000 and 3100, including their appendices and the five practice papers. The project will give due consideration to the comments received in the level three exposure process.

The possibility of developing guidelines on additional matters at a later stage is not excluded: this, however, would be comprised by another project.

The drafts will be developed in conformity with the PSC drafting conventions for auditing guidelines as presented by the ISSAI Harmonisation Project Group to the PSC Steering Committee in June 2013. The PAS, CAS and FAS have proposed to PSC an amendment to the existing drafting conventions in order to cover the needs of the level 4 maintenance. The amended drafting conventions will be applied in the form approved by the PSC-SC by May 2014.

The **purpose** of this project is to ensure that the performance auditing standard and guidelines are fully consistent with the new fundamental auditing principles and provide updated guidelines for audits of economy, efficiency and effectiveness based on these principles. This will be achieved by:

- a) Laying down a set of performance audit (PA) standards on ISSAI level four; and
- b) Adapting the present PA level-four guidelines in the light of:
 - (i) the adoption of the ISSAI 100 and 300 Fundamental Principles; and
 - (ii) the laying down of the set of PA standards under a) above.

The extended project involves:

Phase 1	The development of standards for performance auditing, comprising requirements based on: 1) the Fundamental Principles of Performance Auditing (“new” ISSAI 300) in conjunction with the Fundamental Principles for Public Sector Auditing (“new” ISSAI 100), 2) the existing ISSAIs 3000 and 3100 and the five practice papers, 3) giving due consideration to the comments received in the level three exposure process and 4) other sources identified during this phase.	Completed
Phase 2	The establishment of a new structure and organization for guidelines on the practical implementation of the new PA standards, including a proposal for how existing material, where relevant, might be organised under the new system.	Completed

Phase 3	Adaptation of the draft standard for PA to the amended drafting conventions	New phase, to be completed by 27 th February 2015
Phase 4	Development of the guidelines identified in phase 2, on the basis of the existing material available in the “new” ISSAI 100, 300 and the existing ISSAIs 3000 and 3100, including the appendices and the five practice papers, and giving due consideration to the comments received in the level-three exposure process.	To be completed by 6 th February 2015

4. Work programme, timetable and organisation

Phase 1:

Programme:

Development of a set of auditing standards for performance auditing, based largely on the Fundamental Principles of Performance Auditing (“new” ISSAI 300) in conjunction with the Fundamental Principles for Public Sector Auditing (“new” ISSAI 100) and on the existing ISSAIs 3000 and 3100 and the five practice papers, and giving due consideration to the comments received in the level three exposure process and other sources identified during this phase.

1 (a) Analysis of “new” ISSAIs 100 and 300, as well as the existing ISSAIs 3000 and 3100 and the five practice papers, giving due consideration to the comments received in the level three exposure process and other sources identified during this phase. Identification and referencing of the standards necessary for PA to comply with the fundamental principles;

1 (b) Drafting of a document (working title - “Standard for performance auditing”) which is planned to become **ISSAI 3000**;

1 (c) Circulation of document to all PAS members for comments;

1 (d) Analysis and response to the suggestions of the PAS members and incorporation of the agreed suggestions

Timetable:

Phase 1 (a) to 1 (b): to be completed by 25th October, 2013 (this means that the ISSAI 3000 team will have agreed on the text, which will demand an internal discussion process led by SAI Canada)

Phase 1 (c): to be completed by 29th November, 2013 (this means to circulate the draft and collect suggestions from all PAS members through the community)

Phase 1 (d): to be completed by 27th December, 2013

Organisation:

Phases 1 (a), 1 (b) and 1(d): working group of the SAIs of Canada (team leader), Austria, Norway and the United Kingdom

Phases 1 (c): all PAS members, coordinated by the SAI of Canada

Phase 2:*Programme:*

Establishment of a new structure and organization for guidelines on the practical implementation of the new PA standards, including a proposal for how existing material, where relevant, might be organised under the new system.

Timetable:

2 (a) Preparation of the structure for level 4 by a the working group - 28th October 2013 to 1st December 2013

2 (b) Circulation of document to all PAS members for comments – 2nd December 2013 to 31st January 2014

2 (c) Analysis and response to the suggestions of the PAS members and incorporation of the agreed suggestions – 3rd February 2014 to 21st February 2014

2 (d) Formal approval of the document by PAS at its next meeting

Organisation:

Working group of SAIs of the Netherlands (team leader), Denmark, Norway

Phase 3:*Programme:*

Adaptation of the draft standard for PA to the amended drafting conventions.

Detailed programme, timetable and organisation:

3 (a) Sending of a proposal for amended drafting conventions to the PSC Secretariat - 29th April 2014

3 (b) Approval of the Amended PA Level 4 project and the amended Drafting Conventions by the PSC-SC - 20th-21th May 2014

3 (c) Working Group to post adapted draft ISSAI 3000 on moodle for comments by the PAS members - 29th August 2014

3 (d) Deadline for PAS members to comment on the draft ISSAI 3000 on moodle - 19nd September 2014

3 (e) Working Group to post second version of ISSAI 3000 on moodle - 10th October 2014

3 (f) PAS members to post suggestions of further adjustments in ISSAI 3000 - 10th October 2014 to 6th February 2015

3 (g) Working group to post final version of draft ISSAI 3000 - 27th February 2015

3 (h) PAS Secretariat to send exposure drafts to the PSC Secretariat - 30th April 2015

Organisation:

Working group of SAIs of the Austria, Brazil (team leader), India and USA

Phase 4:*Programme:*

Development of the guidelines identified in phase 2, on the basis of the existing material available in the “new” ISSAI 100 and 300 and the existing ISSAIs 3000 and 3100, including their appendices and the five practice papers previously developed by PAS, and giving due consideration to the comments received in the level-three exposure process.

Detailed programme, timetable and organisation:

4 (a) Working Groups to post draft 3100 and 3200 on moodle - 28th November 2014

4 (b) Deadline for PAS members to comment on the draft ISSAI 3100 and 3200 on moodle - 9th January 2015

4 (c) Working groups to post final version of draft ISSAI 3100 and draft ISSAI 3200 on moodle - 6th February 2015

4 (d) PAS Secretariat to send exposure drafts to the PSC Secretariat - 30th April 2015

Organisation:

Working group	Project	Participants SAIs
A	Working title AIs Performance auditing process”, which is planned to become ISSAI 3200. Process (Planning - Selection of audit topics and Designing the audit, Conducting - Evidence, findings and conclusions, Reporting - Contents of the report, Recommendations, Distribution of the report, Follow- up.	Sweden (team leader) and Denmark
B	Working title – ”Central concepts for Performance Auditing ”, which is planned to become ISSAI 3100. Building of new concepts (definition of PA, intended users, subject matter, confidence and assurance, audit approach, audit risk)	Norway and Netherlands (team leader)
C	Working title – ”Central concepts for Performance Auditing ”, which is planned to become ISSAI 3100. Reviewing existing material – independence, audit objective, audit scope, audit criteria, communication, skills, supervision, professional judgment and skepticism, quality control, materiality, documentation	Canada (team leader) and Hungary

PAS estimates that the draft standard for PA (to be ISSAI 3000) will be ready for presentation to the PSC Steering Committee by April 2015 along with the set of guidelines, based on the existing ISSAIs and practical documents.

5. Resources and budget

Resources will be provided by participating SAIs who will meet all costs associated with their participation. It will be for each participating individual SAI to assess and manage the resource implications of participation in this project. Language translation issues will be dealt with within this framework.

6. Project management and governance

This project will be carried out under the chairmanship of the SAI of Brazil (Chair of PAS). The PAS chair will monitor progress through regular contacts with participating SAIs (and, particularly, with coordinating SAIs at each stage). It will further monitor and manage progress by moderating of the PAS community “Moodle” site and organizing and coordinating annual PAS meetings. The chair ensures that the project group carrying out drafting tasks has a sufficiently broad basis within the INTOSAI community. Membership remains open and the organisation into working groups described in the section above may be adjusted accordingly.

7. Due Process considerations

The new ISSAIs envisaged will follow the process for *development* of ISSAIs defined by the Due Process for INTOSAI Professional Standards. The due process implies that existing ISSAIs 3000 and 3100 (with any appendices and practice papers) will remain extant and continue to provide useful guidance until they are replaced by new documents endorsed by INCOSAI.

The Due Process provides that the numbering of ISSAIs is decided on by the PSC Chair and is normally clarified as part of the initial assessment. The PSC Chair has however wished to ensure a reasonable consistent use of numbers in the 3000-4999 range and will liaise with the chairs of PAS and CAS to find a common solution. This is not expected to affect the structure of documents developed through the project.

When the first draft standard has been developed, the PSC Steering Committee will be invited to consider the continued process. It is the PSC Steering Committee’s primary responsibility that standards are of sufficient quality and will be widely supported by INTOSAI’s members.

Expected timeframe for the due process:

March 2014 – approval of exposure version during the 8th PAS meeting

April 2015 – sending of the exposure version to the PSC Secretariat

June 2015 – approval of exposure draft by the PSC-SC

Sep-Nov 2015 – exposure draft on issai.org

Dec 2015 – comments are published on issai.org

Dec 2015-Feb 2016 – processing of the comments by PAS

March 2016 – sending of the endorsement version to PSC Secretariat

May 2016 – approval of endorsement version by PSC-SC

Oct-Nov 2016 – approval of endorsement version by the INTOSAI Governing Board at INCOSAI 2016 in Abu Dhabi