

# Report to the PSC Steering Committee

## Project on Quality Control

**Project Chair: SAI of New Zealand**

**31 May 2013**

### **1 Purpose**

- To update the PSC Steering Committee on the work of the project team.
- To seek approval of the recommendations in this report.

### **2 Background**

At the PSC Steering Committee meeting in Bahrain in April 2007, the Steering Committee approved the establishment of a new project on audit quality control under level 2 of the framework of INTOSAI's standards and guidelines (the ISSAI framework) entitled "Prerequisites for the functioning of SAIs".

The minutes of the Steering Committee's consideration of this matter in Bahrain are as follows:

*"The steering committee approved of the proposed draft with the amendment that ISSAIs on audit quality control should be included under level 2.*

*A new project was established and given the task of drafting a proposal for new ISSAIs on audit quality control for endorsement by 2010. The numbers ISSAI 40-49 were designated to the purpose. The ISSAIs should apply to financial auditing, compliance auditing and performance auditing and be applicable by all types of SAIs (including courts) for all auditing and reporting purposes, including yearly audits for the purpose of issuing declarations as well as more extensive audit examinations for the purpose of issuing special reports to Parliament. The project should coordinate with FAS, CAS and PAS in order to ensure clarity in relation to existing and future auditing guidelines. Following the "dual approach", the project should consider the possibilities of building on material from other standard setting bodies, including e.g. the ISQC, and consider whether this should take the form of a permanent cooperation as the ones established in the field of financial auditing guidelines and internal control. The SAI of New Zealand will chair the project."*

### **3 Project team**

SAIs represented on the project team have been Norway, Canada, India, Austria, Luxemburg (representing the European Court of Auditors), Denmark, United Kingdom, Germany and New Zealand. The SAIs of Denmark and Luxemburg were involved in the project team between 2007 and 2012. The SAI of Germany joined the project team following the INCOSAI in November 2010.

## 4 Project deliverables

### 4.1 ISSAI 40

ISSAI 40 was endorsed at the INCOSAI in South Africa in November 2010, following normal due process.

Key elements of ISSAI 40 include:

- Leadership that reinforces the importance of quality and takes ownership of quality;
- Policies/procedures that reflect quality as a key objective;
- An effective monitoring process and feedback loop that fosters continuous improvement.

ISSAI 40 is designed to assist SAIs to establish and maintain an appropriate system of quality control which covers all of their work. ISSAI 40 is not designed to cover quality control at an individual engagement level. Rather, it is designed to complement guidance on quality control at an individual engagement level which can be found in ISSAI 1220 and ISSAI 1620 (financial audits), ISSAI 3100 (performance audits) and ISSAI 4100 and ISSAI 4200 (compliance audits).

### 4.2 Implementation guidance

Following the INCOSAI in 2010, the project team agreed that it would be useful to develop further guidance within the ISSAI framework to complement the guidance in ISSAI 40.

The project team has since developed the following guidance to complement ISSAI 40:

- Gap analysis tool for SAIs to self-assess their position relative to ISSAI 40;
- explanation of the various columns in the Gap analysis tool; and
- worked example using the Gap analysis tool based on a hypothetical SAI. This should help to demonstrate how the Gap analysis tool can be used by SAIs to self-assess their compliance with ISSAI 40.

This implementation guidance has been put onto the ISSAI website under the page entitled “Guidance and tools for implementation of the ISSAIs”.

A link has also been inserted into ISSAI 40 by the PSC Secretariat which links ISSAI 40 to the implementation guidance which should facilitate ready access to the guidance.

## 5 Recommendations

That the PSC Steering Committee:

- 1) **Note** that the work of the project team has been completed.
- 2) **Note** that the work completed by the project team will be included in the report of the PSC Chair to the Governing Board in October 2013.
- 3) **Thank** members of the project team for their work since receiving a mandate at the INCOSAI in Mexico in 2007.
- 4) **Agree** to close the project on Quality Control.

Greg Schollum  
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SAI of New Zealand