



## Minutes

### 8th PSC steering committee Meeting 22 - 24 June 2011, Wellington, New Zealand

#### 1. Welcome – opening of the meeting

Welcome by the Auditor General of New Zealand, Ms Lyn Provost.

Song of welcome by staff in the Office of the Auditor General of New Zealand.

Opening by the chair of the meeting, Assistant Auditor General Ms Bettina Jakobsen, Denmark - greetings from the PSC Chair and a special welcome to Poland as new Chair of the Internal Control Standards Subcommittee.

One minute of silence for Mr Omir Lavinias, Brazil.

Welcome by the host of the meeting, Assistant Auditor General, Mr Greg Schollum, New Zealand.

#### 2. Awareness raising – progress report and discussions

The delegates from Bahrain and Poland gave extensive presentations on their experiences of awareness raising in ARABOSAI and EUROSAI through seminars, dissemination of materials and many other initiatives. The steering committee warmly welcomed the initiatives and acknowledged the achievements.

PASAI also reported on their prospective awareness-raising activities, which would in particular be focused on level 2 of the ISSAI framework; the prerequisites for the functioning of SAIs. Delegates from China informed the meeting that CNAO has revised the National Auditing Standards upon consideration of the ISSAIs and is now under way to translate ISSAIs and INTOSAI GOVs into Chinese for reference for auditors nationwide. The progress of the PSC and the ISSAI awareness raising would be reported to ASOSAI in connection with the Governing Board meeting in September. Not all SAIs in ASOSAI have their own standards – often IFAC, INTOSAI or even GAO standards are used. There is a great need for awareness raising and training, and INTOSAI, the IDI and donors should pay more attention to these matters in ASOSAI.

The steering committee took note of the progress report, which reflected great progress. It was agreed that it was important to use the platform provided by the INCOSAI and especially the South Africa Declaration on the ISSAIs. The following action points were derived from the subsequent discussion of the subject:

- speed up the work and include aspects of ISSAI implementation support;
- focus on all levels in the framework (not only level 4);
- gather experience on the ISSAI implementation progress in the PSC Secretariat and further knowledge sharing via the PSC website – and pass on knowledge and experience to the INTOSAI regional secretariats;
- translate the awareness-raising material into French, Spanish and Arabic, in particular;
- ensure linkage to the work on “Value and benefits of SAIs”.

### **Agenda item 3: Harmonization project – progress report and discussions**

The steering committee discussed the following:

- a) progress of the project;
- b) the matters for consideration presented in section IV of the progress report;
- c) the draft and outlines annexed to the progress report.

Ad a) The committee members emphasized that this is a critically important project that needs to be carried through in order to support successful implementation of the ISSAIs among the SAIs. It is important to ensure that the INTOSAI family agrees on the revised Fundamental Auditing Principles on level 3 of the ISSAI framework. Ensuring the commitment of all SAIs in the process beyond what lies in the due process is therefore considered important. The 2013 deadline set for completion of the project must be observed. Some members stated that they would be willing to commit further resources to the project if this could help achieve a successful outcome; others suggested that donor support should be considered.

Ad b) The steering committee discussed the following matters on the basis of the progress report:

1) the name of level 4 of the ISSAI Framework – auditing standards: the committee members generally supported the ambition that the implementation guidelines on level 4 are developed in the direction of ‘auditing standards’. However the first step should be to ensure consistency as foreseen under the project goal C in order to achieve a clearer text that can be applied as one set of ‘standards’. The aim should be to provide a strong starting point for the development of national auditing standards or manuals by the individual SAIs. Any changes in the name of level 4 of the ISSAI framework would be a secondary step that could be discussed and decided on at a later stage.

2) The envisaged use of the revised ISSAIs 100-400 – internal or external?: the committee members generally expressed that they are comfortable with the direction taken by the project group, meaning that the ISSAIs on level 3 will primarily be aimed at serving internal purposes – such as development of methodology – in addition to the more external purposes, that had been discussed on previous occasions. The ISSAIs are aimed at the INTOSAI community but will also be read by external stakeholders and partners.

3) The concept of three overall ‘branches of auditing’ – and/or other tasks: the committee members generally encouraged the project group to strive for a simple solution that would maintain that financial, performance and compliance auditing are broad and general concepts. It would be important to acknowledge that there are many ways of combining these three branches and many specific practices – e.g. budget execution audits – that may be used by the individual SAIs.

The project group was advised to try and avoid further categorization of ‘other tasks’ as suggested in option c) in the progress report. Some suggested the importance of combining the distinction financial/performance/compliance audit with other relevant distinctions (a ‘matrix’ approach). More specifically some steering committee members also encouraged the group to develop stronger concepts for the different types of conclusions/reporting formats and/or levels of assurance in order to supplement the distinction between financial, compliance and performance auditing (cf. the steering committee meeting in June 2009). The group should not consider these as separate ‘branches’, but rather as different aspects or focus areas of the auditing practice of a SAI. It was also suggested that the group could elaborate more on the issue of combined tasks in the draft ISSAI 100.

It was considered important that the fundamental auditing principles accommodate all SAI models and types of audit disciplines and that all INTOSAI members would be able to recognize the concepts defined and apply them in the context of their own mandate.

Ad c) The committee members generally welcomed the annexed drafts and provided a few comments on specific points. These will be passed on to the project group. There was consensus that the section on 'common principles in public sector auditing' in ISSAI 100 needs to be elaborated on and taken in the direction of principles (rather than a list of definitions). There was also general agreement to seek a common structure of the outlines for ISSAI 200, 300 and 400. Coordinating with the work performed by the working group on Value and benefits of SAIs was considered essential.

The project group on ISSAI Harmonisation will finalise the drafts in order to present them for approval by the steering committee in accordance with the due process for development of INTOSAI Professional Standards.

During the general discussions of the project's implications the steering committee also agreed to develop an overall introduction to the ISSAIs and INTOSAI GOVs. This should draw on the South Africa Declaration and explain the purpose and status/authority of the ISSAIs on the various levels of the framework as defined when the framework was established in 2007. The text should serve as a general preface on [www.issai.org](http://www.issai.org).

The chair will present a proposal to the steering committee on the matter before the end of the year. It was agreed that the steering committee could consider and decide on the draft on the basis of a written procedure.

#### **Agenda item 4: Subcommittee and Project reporting and discussions**

##### ***a. Transparency and Accountability***

The steering committee took note of the progress report of the Transparency & Accountability Project.

##### ***b. Audit Quality Control***

The steering committee took note of the progress report of the Audit Quality Project.

##### ***c. Financial Audit Subcommittee***

The steering committee discussed the potential needs for further guidelines and took note of the progress report of FAS

##### ***d. Performance Audit Subcommittee***

The steering committee discussed the potential needs for further development of the guidelines and took note of the progress report of PAS

##### ***e. Compliance Audit Subcommittee***

The steering committee took note of the progress report of CAS

##### ***f. Internal Control Standards Subcommittee***

The steering committee took note of the progress report of the Subcommittee on Internal Control standards.

##### ***g. Subcommittee on Accounting and Reporting***

The steering committee approved of the 2 proposals annexed to the subcommittee's progress report:

Annex 1 contained a proposal that the document entitled “The importance of an independent standard-setting process” should be classified as an INTOSAI GOV. The purpose of the document is to recognise and endorse the importance of a robust, objective and transparent standard-setting process, preferably by an independent standard setter such as the International Public Sector Accounting Standards Board. The subcommittee had sent the document to all members of INTOSAI for commenting as required by the INTOSAI Handbook, and the document had been endorsed by INCOSAI in 2010.

The due process for INTOSAI Professional Standards had been endorsed by INCOSAI on the same occasion and had therefore not been applied to the document. Based on the ISSAI classification principles decided on in 2007, the steering committee therefore approved of the subcommittee’s proposal that the document is to be included as an INTOSAI GOV. The PSC Secretariat will confer with the subcommittee on the proposed INTOSAI GOV number and the forward process.

In annex 2 the subcommittee presented a withdrawal proposal as defined under stage 1 of the due process for withdrawal. The proposal concerned withdrawal of INTOSAI GOVs 9200-9220. These contain the ‘old’ INTOSAI accounting standards that were endorsed in 1995. The steering committee approved that the subcommittee’s proposal to withdraw the INTOSAI GOVs can be submitted for public exposure in line with the due process.

The subcommittee is to confer with the Working Group on Public Debt under the Knowledge Sharing Committee regarding the maintenance or withdrawal of INTOSAI GOV 9230 Guidance on Definition and Disclosure of Public Debt.

## **5. ISSAI maintenance**

The due process for INTOSAI’s Professional Standards was endorsed by INCOSAI in November 2010. It includes a definition of the responsibility for maintenance of ISSAIs and INTOSAI GOVs. The steering committee discussed the implementation of these requirements. It was agreed that the frequencies of maintenance reviews should be decided on by the relevant subcommittees and published on [www.issai.org](http://www.issai.org) before November 2011 in order to comply with the due process.

For levels 1-3 the frequencies stated in the document will apply for the time being. Frequencies may be revised whenever it is considered necessary. When the frequencies are communicated on the website a simpler expression - e.g. ‘reviewed at least every xx years’ - will be used to express the ‘maintenance frequency’ as defined by the due process.

Members of the steering committee emphasized that the endorsement and implementation of the due process will not fully address all aspects of the need for a permanent solution that can ensure reliable maintenance of the ISSAIs in the future. It was suggested that the PSC chair continue the discussions within INTOSAI in this regard.

## **6. Cooperation with IFAC – updating the Memorandum of Understanding**

The chair is currently discussing the issue with the chair of FAS and will subsequently discuss it with IFAC.

#### **7. PSC Terms of Reference – update**

The updated terms of reference were approved with the following corrections reflecting the present composition of the steering committee: The chair of the KSC should be mentioned and it should be specified that both AFROSAI-E and AFROSAI-F are represented.

#### **8. News from the Capacity Building Committee – including implementation of the ISSAIs and the donor-INTOSAI cooperation**

No comments from the delegates to the IDI/CBC report.

#### **9. News from the Knowledge Sharing Committee – including upcoming ISSAIs**

A progress report was distributed at the meeting.

#### **10. Categorizing the different INTOSAI documents – the INTOSAI General Secretariat**

The INTOSAI Strategic Director informed the steering committee of the general classification of the INTOSAI documents that are not professional standards (ISSAIs or INTOSAI GOVs).

#### **11. Presentation of INTOSAI Collaboration Tool**

The steering committee members watched a video presenting the collaboration tool and how it is used.

#### **12. Next meeting**

29 May – 1 June 2012 in South Africa

#### **13. Any other business**

Thanks to the host for excellent arrangements.

*All reports and further meeting materials referred to can be found on:*

<http://www.psc-intosai.org/composite-303.htm>

7 September 2011