

Proposal from FIPP to the PSC Steering Committee and chairs of CBC and KSC resulting from component 2 of the SDP 2020-2022

Component 2 of the SDP 2020-2022 aims at establishing the full list of new projects that will be launched during 2020-2022 in order to develop, revise or withdraw INTOSAI Professional Pronouncements. It is the ambition of the SDP that this list of projects is to be finalized for the Governing Board by its meeting in November 2020.

Any conclusions and recommendations relevant for the SDP will need to be considered by the appropriate INTOSAI bodies before they can be presented to the Governing Board for endorsement. These bodies are defined by the Due Process for the INTOSAI Framework of Professional Pronouncements on the basis of article 4 of the statutes of INTOSAI. The basic roles and responsibilities with regard to updates of the SDP and changes in the IFPP are defined as follows (cf. section 1.1. of the Due Process for the IFPP):

Decisions on the organisation of the planning process and the content of the SDP shall be taken by the PSC Steering Committee with the consent of the chairs of the CBC and KSC, and shall be based on proposals elaborated by FIPP.

The planning process shall include public consultations to encourage input from all interested parties as a minimum every three years. The PSC and the chairs of the CBC and KSC ascertain that all relevant needs are addressed by the strategic development plan in line with the objectives of goal 1, 2 and 3 of INTOSAI's strategic plan. FIPP takes initiative to propose amendments and updates to the plan as needed. The PSC consults with all affected parties before the plan is finalised and presented to the INTOSAI Governing Board for endorsement.

The Due Process also specifies that each of the INTOSAI bodies involved – FIPP as well as the PSC Steering Committee and the chairs of CBC and KSC – must decide on the matter in accordance with their respective terms of references and working procedures.

Attached you will find FIPP's proposal to the PSC Steering Committee and the chairs of CBC and KSC in conclusion of component 2. FIPP kindly asks the PSC Steering Committee and the CBC and KSC Chair to:

Approve the attached proposed SDP-update entitled '**Addition to the Strategic Development Plan for the IFPP 2020-2022 in conclusion of Component 2 - List of projects to be launched in 2020-2022 to develop, revise or withdraw INTOSAI Professional Pronouncements**'.

The approval will allow the PSC Chair to present the update to the INTOSAI Governing Board for endorsement.

How has this proposal been developed?

In 2018 the PSC Steering Committee including the chairs of CBC and KSC decided on the planning process that should be used to develop the SDP 2020-2022. This process involved a wide opportunity to all INTOSAI members and external stakeholders to provide input, a specific invitation to subcommittees, working groups, task forces and work streams of the PSC, CBC and KSC to suggest projects within their field of expertise as well as a review across the full IFPP carried out by FIPP. The process

was organized by the PSC Secretariat in collaboration with the chairs of FIPP and the CBC and KSC. This resulted in a proposal from FIPP in April 2019 on the initiatives that should be taken through the SDP during 2020-2022 including initial preparation for the period 2022-2025. The PSC Steering Committee decided after the annual meeting in 2019 that there was further need to explore the initiatives prior to a decision, as reflected in the Strategic Development Plan for the IFPP 2020-2022. The initiatives were divided into three categories or components where Component 2 covers *Development work on key topics*. FIPP has in 2019-2020 continued the work to specify the list of projects on development, revision or withdrawals that are to be launched in 2020-2022 and have in consultation with the KSC, the CBC and the PSC arrived at the final list presented in the SDP update for 2020 (attached).

Three potential projects will be further discussed with the relevant WG under KSC before we conclude on the way forward for these topics:

- Fraud and corruption
- Sustainable Development Goals (SDGs)
- Cooperation between SAIs and the three branches

As part of the preparation for the current SDP, many SAIs provided inputs covering the first two topics. Following an initial analysis from the TSF, FIPP concluded that we should explore the need for the pronouncements together with the appointed INTOSAI experts for the topics, namely the Working group on the fight against corruption and money laundering and Working group on SDGs and key sustainable development indicators. The outcome could be a possible update of the SDG under component 2 in 2021. FIPP will appoint a Liaison Officer as a link between the working groups and FIPP.

The initiative to develop a GUID on cooperation between SAIs and the three branches was presented by the KSC to be further discussed regarding placement inside the framework. Based on the presentation from the responsible project group under the Working Group on Values and Benefits of SAIs (WGVBS), FIPP concluded that there is a need for a further scoping of the project as well as a more current assessment of the need for the project prior to a conclusion on whether to include it in the framework or not. FIPP will appoint a Liaison Officer as a link between the working groups and FIPP.

Addition to the Strategic Development Plan for the IFPP 2020-2022 in conclusion of Component 2

List of projects to be launched in 2020-2022 to develop, revise or withdraw INTOSAI Professional Pronouncements

The INTOSAI Framework on Professional Pronouncements comprises all documents through which INTOSAI conveys principles, standards and guidance related to the role of SAIs and their conduct of audits. This aims to ensure that:

- any messages officially conveyed by INTOSAI on auditing related matters are considered and approved through INTOSAI's Due Process before they are pronounced
- all documents are issued through one authoritative channel – www.issai.org – and comes across as a clear and consistent set of INTOSAI principles, standards and guidance
- the different needs for new or improved INTOSAI principles, standards and guidance are considered and prioritized through the Strategic Development Plan for the IFPP before any new projects to develop, revise or withdraw pronouncements are launched

The Due Process for the IFPP requires that *any initiative* to develop, revise or withdrawn INTOSAI professional pronouncements should be taken through the Strategic Development Plan for the IFPP.

The new projects that can be launched in 2020-2022 for the purpose of developing, revising or withdrawing INTOSAI professional pronouncements.

Project A	New ISSAIs on quality management of SAIs (Revision of ISSAI 140)
Project B	Guidance for implementing INTOSAI P-50 Principles of SAIs of jurisdictional activities

The scope and purpose of the projects are further defined in the below. The list of projects has been proposed by FIPP on the basis of the input obtained from the wider INTOSAI community and has been decided on by the PSC Steering Committee and the chairs of CBC and KSC. The list is endorsed by the Governing Board through this paper, which will form an addition to the SDP endorsed in 2019.

The chairs of PSC, CBC and KSC will, in consultation with the chair of FIPP jointly determine the timing of each individual project to ensure capacity and coordination as necessary. The group of chairs will take initiative to launch the projects by organizing a project group for each project. The project group will undertake the drafting work and develop the draft in collaboration with the relevant subcommittees, working groups, task-forces or working streams of PSC, CBC and KSC. All projects will be subject to guidance, directions and approval by FIPP as provided for by the Due Process and the resulting pronouncements will be subject to endorsement by INCOSAI.

During 2021-2022 a new Strategic Development Plan will be developed for the purpose of determining projects that can be launched after 2022. **Any working groups or other parties within INTOSAI who**

see any additional needs to develop, revise or withdraw pronouncements are encouraged to make a proposal to this effect during the planning process in 2021-2022.

The development of any new pronouncements is generally only feasible when a solid 'raw material' of common professional concepts and common understanding of existing practices within the INTOSAI community has been achieved. The subcommittees, working groups, task-forces and work streams of PSC, CBC and KSC have a pivotal role in accumulating and developing knowledge on sound auditing practices within their field of expertise based on the practical experiences of auditors across the world. The individual subcommittees/working groups/task-forces/work streams may share their expertise and experience through working papers and other material that are made available through the various websites of the subcommittees. They provide the views and perspectives of the authors and but do not represent INTOSAI's positions. Key working contributions that live up to a set of quality criteria established by the goal chairs may be recognized as 'INTOSAI Common Goods'. These documents have not been considered through INTOSAI's Due Process and is not mandatory to comply with. The IFPP serves to extract the most important insights resulting from all work done over the last many years in a clear and consistent set of INTOSAI Principles (INTOSAI-P), Standards (ISSAI) and guidance (GUID) which have the endorsement of the full INTOSAI community.

The projects presented on this list concern areas where there is a sufficient need for development or revision of INTOSAI principles, standards or guidance and where FIPP has deemed that sufficient ground work has already been done through working papers, 'INTOSAI Common Goods' or in other ways to provide the basis for an successful project. The Technical Supporting Function (TSF) may serve as means to consolidate and improve this basis for the projects further and help facilitate the launch and completion of the project in collaboration with the project group and FIPP.

Project A – New ISSAIs on quality management of SAIs (Revision of ISSAI 140)

INTOSAI has pronounced in ***ISSAI 100 – Fundamental principles of public-sector auditing*** that “[e]ach SAI should establish and maintain procedures for [...] quality control on an organisational level that will provide it with reasonable assurance that the SAI and its personnel are complying with professional standards and the applicable ethical, legal and regulatory requirements.” This fundamental principle is supported by ISSAI 140 – Quality Control for SAIs, which defines six elements of the overall system of quality control of a SAI and provides principles and further guidance for each of these. The current version of ISSAI 140 was issued by INTOSAI in 2009 and was the very first INTOSAI standard dealing with quality management at the organizational level. A number of subsequent developments and shortcomings makes a revision necessary:

- The ISSAI 140 is based on and refers explicitly to IFAC's *International standard on quality control*, ISQC-1. ISQC-1 provides IFAC's requirements to audit firms and underpins the legal requirements on the organization of quality control in private auditing firms defined by legislators and regulators in many countries. The ISQC-1 is however currently undergoing revision and is expected to be replaced by new IFAC standards on quality management. INTOSAI has not taken part in the development of the new IFAC standards and it will be relevant to consider their relevance for SAIs and reflect this in the IFPP.

- It has been clarified in 2013 and 2016 that the ISSAIs provide auditing principles that are relevant for all SAIs (regardless of which standards they use) as well as requirements and application material that apply specifically to SAIs that have chosen to adopt the ISSAIs as their auditing standards and assert compliance with ISSAIs in their audits. ISSAI 140 predates this clarification of the authority of the ISSAIs and it should be developed to provide sufficiently clarity for SAIs who conduct their audits in accordance with the ISSAIs as well as SAIs who asserts compliance with other standards.

The project will result in INTOSAI pronouncements in the category of *ISSAI 140-199 Organisational Requirements*, which might possibly be supported by guidance in the category of *GUID 1900-1999 Organisational Guidance*. If relevant, these categories can be further refined in the course of the projects through amending the *classification principles*. The Due Process provides that such amendments can be proposed by FIPP for decision by the PSC Steering Committee and the chairs of CBC and KSC and are subject to endorsement by the INTOSAI Governing Board.

The resulting ISSAI or ISSAs should serve the needs of all INTOSAI members and take account of the different ways SAIs are organized, the different auditing engagements they carry out under their mandates and the different standards they may apply while adhering to the auditing principles of the ISSAIs. In order to support SAIs that have chosen to refer to the ISAs (and not solely the ISSAIs) in their financial audit reports, the new ISSAI(s) on quality management/control/assurance will provide requirements at the *same level* as the IFAC standards on quality control, which are referred to in the ISAs. It will be the ambition of the project to adjust and supplement IFAC's requirements as needed to meet the circumstances, under which INTOSAI's members carry out their financial, compliance and performance audits and the constitutional or jurisdictional functions and status some SAIs have.

Project B – Guidance for implementing INTOSAI P-50 Principles of SAIs of jurisdictional activities

Approximately 35% of all SAIs are courts that perform jurisdictional activities. ISSAI 100 para 15 point out the important relationship between this jurisdictional authority and the characteristics of public-sector auditing. In 2016, relevant SAIs took the initiative to include the activities in jurisdictional SAIs in the IFPP to address characteristics of such SAI models. The project started out with the objective of producing a GUID as the needs assessment performed by the group of drafters identified the need for more guidance for jurisdictional activities. As the project developed, the drafters – together with FIPP – identified the need to create an anchor for jurisdictional activities in the INTOSAI P-category. This pronouncement was not considered as a way to fully address the needs of court model SAIs, but as a basis for the development of future pronouncements. In 2019, the INTOSAI P-50 «*Principles of jurisdictional activities of SAIs* » was endorsed by the Governing Board.

After the endorsement of INTOSAI P-50, the group of drafters have continued working to address the needs of SAIs with court models. Their analysis has identified a need for guidelines supporting both the SAIs and the auditors working in these environments. The relevant working group has demonstrated the need for such a guideline through a survey on best practices that has been circulated among relevant SAIs.

INTOSAI P-50 consists of 12 principles. The scope of this GUID will be to develop a best practice for jurisdictional activities for all 12 principles, based on an analysis of practices among the relevant SAIs. The objective for this pronouncement will be to provide guidance for the principles in INTOSAI P-50 and not to provide guidance for the audit types. The GUID will not contradict or overlap with the content of the ISSAIs.

The current definition of GUIDs in IFPP link this group of pronouncements to the ISSAIs, stating that a GUID is:

non-mandatory more specific and operational guidance on how to apply the ISSAIs.

Developing a GUID in relation to INTOSAI P-50 requires an update to the classification principles before the pronouncement can be included in the IFPP. The Due Process provides that FIPP can propose such amendments for decision by the PSC Steering Committee and the chairs of CBC and KSC. The amendments are subject to endorsement by the INTOSAI Governing Board. FIPP will develop a proposal for this update for the PSC-SC meeting and the Governing Board in 2021.

This GUID will elaborate on principles and not on audit standards, and will not cover a specific subject matter. The proposed GUID will be placed either in the organizational level 1900-series GUIDs or in the current 9000-series.