

**MINUTES OF THE MEETING**  
**of the INTOSAI Subcommittee on Internal Control Standards**  
**27-28 September 2018, Warszawa, Poland**

Participants in the meeting:

1. Ms Doris Boehler, Senior Auditor, Court of Audit, Austria
2. Mrs Rownak Taslima, Additional Deputy Comptroller and Auditor General, Office of the Comptroller and Auditor General of Bangladesh
3. Ms Hilde François, President of the Court of Audit, Belgium
4. Mr Wim François, Senior Auditor – Supervisor, Court of Audit, Belgium
5. Mr David Maris, Senior Auditor, Court of Audit, Belgium
6. Mr Sébastien Lepers, Deputy Director of International Relations, Cour des Comptes, France
7. Mrs Katalin Pályi, Auditor, State Audit Office, Hungary
8. Mr Martin Abbink, Audit Manager – Audit Methodology Expert, Court of Audit, the Netherlands
9. Mr Paul Neelissen, Senior Auditor – Specialist, Court of Audit, the Netherlands
10. Ms Svetlana Mureşan, Director, Court of Accounts, Romania
11. Ms Cristina Nenov, Auditor Public Extern, Court of Accounts, Romania
12. Mr Ahmed Salim Al Sinawi, Director of Audit Gas Companies, State Audit Intuition, Oman
13. Mr Salim Juma Al Shaibani, Head of Technical Office of Deputy Chairman (Companies), State Audit Intuition, Oman
14. Mr Gerry Cox, Chief Executive, SWAP Internal Audit Services, Institute of Internal Auditors
15. Mr James Dalkin, Director, Government Accountability Office, USA
16. Mrs Barbara Dutzler, Programme Manager, GIZ
17. Ms Hege Larsen, Secretariat of the Performance Audit Subcommittee (PAS), Office of the Auditor General of Norway
18. Mr Geoffrey Simpson, Director of Audit Quality, European Court of Auditors, Secretariat of Professional Standards Committee (PSC)
19. Mr Krzysztof Kwiatkowski, President, Supreme Audit Office, Poland, Chair of the Subcommittee on Internal Control Standards
20. Mr Paweł Banaś, Advisor to President, Supreme Audit Office, Poland, coordinator of the works of the Subcommittee on Internal Control Standards
21. Ms Kamila Żyndul, Chief Expert International Relations, Supreme Audit Office, Poland, Secretariat of the Subcommittee on Internal Control Standards

Through videoconference:

22. Mr Kristoffer Blegvad, Forum for INTOSAI Professional Pronouncements (FIPP)
23. Mr Khalid Hamid, Executive Director, State Audit Institution, United Arab Emirates – FAAS, INTOSAI Presidency
24. Daniel Stephane Boutin, Audit Manager, State Audit Institution, United Arab Emirates – FAAS

## Day 1, Thursday, 27 September 2018

The meeting was opened by Krzysztof Kwiatkowski, President of the Supreme Audit office of Poland (NIK), who welcomed the Participants as the host of the meeting. In his speech, President Kwiatkowski emphasised the importance of internal control as a daily routine for auditees, and its examination as a daily routine for auditors. He also recalled the need for good cooperation with internal auditors during external auditing, whose strengthening is a preoccupation of the Subcommittee, too. Then Paweł Banaś, the Coordinator of the works of the Subcommittee within NIK, presented the Participants with the objectives and the agenda of the meeting.

Kamila Żyndul from the Subcommittee Secretariat presented the activities of the Subcommittee starting with its latest meeting in Brasilia in June 2017, recalling the developments in the Subcommittee's project 2.6, establishment of links with other structures of the Professional Standards Committee (PSC) with regard to their participation in projects of the Subcommittee on Internal Control Standards (ICS), as well as the Secretariat's involvement in communication with the PSC, Forum for INTOSAI Professional Pronouncements (FIPP) and other Subcommittees. She also briefly presented the assumptions of the Three Lines of Defence Review project that had been started by the Institute of Internal Auditors (The IIA) where the Subcommittee members: Martin Abbink, Paul Neelissen, Wim François and David Maris would participate as core team members for project 2.6 of the Strategic Development Plan, where the Three Lines of Defence model would be used. The project of The IIA is aimed at examining whether the model is still fit for purpose. The Subcommittee was approached by the Professional Standards Committee Secretariat to participate in the project's Advisory Group, as requested by The IIA. Kamila also presented the composition of the teams responsible for the Subcommittees main projects: 2.5: France, USA and Poland (lead), and 2.6: Belgium and the Netherlands (project core team), Austria, USA, Romania (as Performance Audit Subcommittee (PAS) liaison), Russia (as Compliance Audit Subcommittee (CAS) liaison) and Poland. She also informed the Participants that NIK would host next year's meeting of the PSC Steering Committee on 5-6 June 2019, proceeded with one-day Subcommittees' Chairs meeting on 4 June. She also announced that the Secretariat was looking for candidates for hosting the Subcommittee's annual meetings in the next years, and that a need may arise to have meetings of teams responsible for projects 2.5 and 2.6 in the upcoming months.

Geoffrey Simpson from the Secretariat of PSC presented the assumptions of the new INTOSAI Framework for Professional Pronouncements (IFPP) and the approach of the PSC to the projects implemented within the Strategic Development Plan (SDP). He also discussed the role of Subcommittees as perceived by the PSC – the Subcommittees continue to be “knowledge hubs” – the main centres of excellence in their areas of expertise and main suppliers of resources for drafting the pronouncements related to the types of audit and for matters specifically related to internal controls expertise (i.e. internal control & internal audit). From the perspective of ICS, it is important to note that the new framework no longer includes INTOSAI GOVs, as some of the former INTOSAI GOVs will be relabelled and renumbered as GUIDs, while other GOVs are related to current SDP projects. If these projects do not start, the correspondent INTOSAI GOVs will be withdrawn from the framework. He also informed that INTOSAI was beginning the process of formulating the new SDP which would guide the development of the IFPP between 2020 and 2025. He encouraged the Subcommittee to

submit their proposals for SDP projects. Together with the inputs of other actors and stakeholders, these will be analysed and prioritised, with the ultimate goal to have the SDP appraised by all relevant parties and formally adopted at the INCOSAI in 2019. Geoffrey also briefed the Participants on the appointment process for the new FIPP Chair

Then a presentation on project 2.6 followed, delivered by Martin Abbink, Paul Neelissen, Wim François and David Maris – the project core team members. Wim François presented the history of the project, whose origins date back to 2015 (Subcommittee meeting in Bucharest). He reminded the Participants that the previous project had been halted by the PSC Steering Committee in 2016, due to the changes in the INTOSAI pronouncements framework whose introduction started at the time. These indicated a real paradigm shift, as the decision was taken that all the pronouncements had to be addressed to auditors, and not to the auditees. For the Subcommittee on Internal Control Standards this means a serious change of what it has been doing for several decades. He also recalled the scoping paper for project 2.6 that the Subcommittee were provided with in September 2017, developed by FIPP, as well as subsequent comments and recommendations from FIPP, which served to amend the project proposal.

Gerry Cox from The IIA added that the independence of internal auditing is the key issue for The IIA, this being ensured through: the effective audit committee that has the final word, independent reporting structure, and external quality assurance, so that SAIs can trust in the work of internal auditing and make use of it. He also emphasised that both internal and external audit had the same ultimate objective, which is to take care of an entity's good.

Barbara Dutzler from GIZ observed that reliance on internal auditing could allow external auditors to start from a higher level. She also noticed that possibly there was no need to differentiate between financial, compliance and performance auditing while discussing reliance on the works of internal audit, since the rules should be the same, regardless of the audit type.

Svetlana Mureşan, who is currently the INTOSAI representative on The IIA's International Internal Audit Standards Board (IIASB) echoed Gerry's words that the work of internal and external auditors was the same, the difference being the reporting line only.

At this point Kristofer Blegvad, the acting Chair of the FIPP, joined through videoconference. He refrained from giving advice to the Subcommittee on how to proceed with FIPP, however he recommended developing a short paper with two-three optional solutions and submit it to the FIPP. He also said that in his opinion project 2.6 was on track (mature) and its project proposal was ready to be finalised. He also indicated problems with scarce resources of FIPP to explain the absence of FIPP Liaison Officers for projects 2.5 and 2.6 at the meeting.

Paweł Banaś once again recalled the importance of communication. He also observed that the idea to consult other Subcommittees during the projects development was generally good, but there were understandable obstacles to have them involved earlier than at the draft stage, due to time and resources constraints.

David Maris from the project 2.6 team presented the issues to be discussed in relation to the project. One by one the different parts of the project proposal were presented and discussed. The names of

the different project team members were listed. It was agreed to have one guidance document as final product covering all three types of audit. The GUID would have a common general context in some general chapters. Particularities and differences if any will be covered in separate chapters. Also combined audits will be covered in the GUID. On the topic of direct assistance there seem to be different opinions within INTOSAI. The GUID should develop to what extent this can be used and in which cases. As for using the work of internal audit in performance and compliance auditing, participants were asked to share standards, experience, literature with the project team. Ms Hege Larsen (SAI Norway and PAS) suggested she could send a request to PAS members on this matter. Also the idea of an INTOSAI survey to CAS and PAS members and the Secretariats of Regional Organisations was discussed. Finally participants were asked to give input on which parts or elements of the GOVs 9140 and 9150 should be integrated in the new GUID, which parts or elements of ISA 610 / PN could be useful in the new GUID for compliance or performance auditing aspects and to share any other relevant documents that could be useful in developing the GUID.

Khalid Hamid and Daniel Boutin from the Financial Audit and Accounting Subcommittee (FAAS), who joined the meeting via videoconference, promised to share the results of the works on Practice Notes to ISA 610 with the ICS so that these could be taken into account during project 2.6 development. Simultaneously, Khalid observed that it was not clear in the existing guidance on cooperation between internal and external audit (INTOSAI GOV 9140 and 9150) to what extent the latter can rely on the work of internal auditing, and this could be one of the issues to cover in 2.6. At this point the issue of direct assistance was raised by Jim Dalkin from the US GAO and Barbara Dutzler from GIZ, as common in some countries however there are no clear criteria to cover it. Khalid also discussed the assumptions of Approach 3 within INTOSAI's support for the UN's Sustainable Development Goals, referring to the role of the EUROSAI Control space of E-Government (CUBE) in this area.

After that Katalin Pályi presented the assessment module for integrity controls developed by the SAI of Hungary based on its integrity surveys carried out annually. The assessment module can serve as both a self-assessment tool for public sector institutions and an assessment tool or even an audit tool for SAIs, thus can be used in auditing integrity elements during broader scope audits. She suggested that, in the longer term, beside contributing to the SDGs, the assessment system could also serve as an INTOSAI GUID if the ICS decided to take the lead.

In his presentation on the latest developments of The IIA, Gerry Cox discussed the ongoing project on revision of the Three Lines of Defence model, the similarities between internal and external auditing and the common interests thereof. He referred to numerous complementary goals of the two in the public sector, which included achievement of goals in service to the public, greater efficiency, effectiveness, and economy, greater transparency, increased accountability and reduced fraud. He also recalled that internal and external audit used similar approaches, comparable standards and methods, as well as strove for independence and objectivity. Among the common challenges that the two types of audit face he named, among others, emerging risks, aligning with stakeholder expectations, combatting fraud and corruption and supporting United Nations' Sustainable Development Goals (SDG) for 2030. He also defined the basic weaknesses of internal auditing, which included a compliance-only mentality, treating risk as only negative, and regarding risk management and internal control as a separate function or process. He concluded with presenting several

opportunities for cooperation between internal and external auditors that included assisting SAIs in contributing to SDGs implementation.

Barbara Dutzler briefly introduced the concept of the Public Financial Management (PFM) Reporting Framework – a tool that can help SAIs identify the most relevant PFM risks in their countries by drawing on existing information. The tool allows for a systemic thematic synthesis across all individual entities that a SAI audits and for highlighting weaknesses for each department or entity. As a result, a graphic picture is generated that allows for comparison across all core stakeholders. She emphasised the need for using the work of SAIs and governments in synergy. Barbara announced that she would discuss the framework in greater detail on the second day of the meeting, under a dedicated agenda item.

Paweł Banaś presented the assumptions of the concept of a tool to analyse internal control as the main or auxiliary subject of an audit. The tool (draft web version: [ics-intosai.nik.gov.pl](http://ics-intosai.nik.gov.pl)) will base on the applicable guidance available from recognised methodologies (COSO, IFAC, OECD, SIGMA) providing, however, a SAI-level taxonomy and approach. The tool will employ common vocabulary and machine-interpretable definitions (ontology) of the basic concepts and relations among them, using the experience of and providing support to EUROSAI Control space of E-Government (or CUBE: [egov.nik.gov.pl](http://egov.nik.gov.pl)) and the Active IT Audit Manual (download sites: [www.intosaiitaudit.org](http://www.intosaiitaudit.org) and [eurosai-it.org](http://eurosai-it.org)). Possible ways will be also searched for the tool to collaborate with other tools, such as the Public Financial Management model of GIZ, while its data architecture will be open for potential future tools, to perform, e.g. automatic review of an auditee's internal control.

The approach behind the ICS tool attempts to be as minimalistic as possible, with user-minded and brief explanations of internal controls, accompanying terms, top issues to review, typical sources of information and useful quotations from the existing methodologies (COSO, IFAC, CIPFA, SIGMA) and real life audit reports. The applications of the CUBE tool will be used to search real life audit reports. Further developments of the tool will consist in drafting internal control matrices to support risk analysis and audit planning, and providing a mechanism for problem modelling. The tool, designed to be part of project 2.5 (developing “Consolidated and improved guidance on understanding internal control in an audit”) will allow for learning more about relations between internal controls and audited problems. The ultimate goal of the document is to provide practical and useful advice concerning internal control based on SAIs' experience, benefiting from the achievements of other organisations like: COSO, IFAC, CIPFA, SIGMA-OECD, IIA, guarding at the same time the values of INTOSAI GOVs.

#### Day 2, Friday, 28 September 2018

After a brief recapitulation of Day 1, the discussion on project 2.6 continued, during which the issue of its time schedule was touched upon. The project core team members informed the Participants that they needed sufficient time for project implementation, i.e. beyond 2019, to allow for introducing potential changes that may be suggested by FIPP, to coordinate with other materials to be developed in the meantime, and to communicate and consult with other subcommittees. The proposed project milestones were accepted by the Participants. They also agreed on drafting one GUID (in the 5000-series) instead of several GUIDs per audit type.

Barbara Dutzler followed with presenting the details of the project that GIZ was introducing in Africa with an aim to define common space and use for project 2.5. She explained that the Public Financial Management (PFM) Reporting Framework is for SAIs to identify the most relevant PFM risks present in their countries, drawing on existing information and allowing for a systemic thematic synthesis across all individual entities that a SAI audits. The framework changes the way SAIs audit as the following needs arise: to adapt working papers, to apply root cause analysis, to improve report presentation, and to improve research and documentation. The tool may assist INTOSAI in implementation of its Approach 3 to SDG, which reads: “SAIs understand their respective PFM environments in a holistic way, and actively participate in shaping and improving it in order to deliver upon Goal 16”. It allows for reporting on SDG indicator 16.6.1: reports on deviation between forecast and actual budget. Barbara also presented possible uses of the framework which included reporting, national PFM performance reports and contributing to analysis of cross-cutting concerns such as procurement or non-tax revenue. It can be also used in audit planning, risk analysis – either in the context of annual audit planning, or for specific questions or entities, as well as in analytics and research. It may also assist SAIs in establishing to what extent underlying systemic weaknesses cause the day-to-day malperformance they witness. At the end of her presentation, Barbara summarised the basic characteristics of the PFM Reporting Framework, which included alignment with INTOSAI SDG Strategy and ISSAI 12, whole-of-government approach it employs, and its going beyond compliance towards assessing functionality.

After that a workshop followed during which the Participants, divided into four groups, were asked to develop input to the IT tool whose assumptions were presented by Paweł Banaś. The Participants formulated definitions of some key concepts, indicated issues to which attention should be paid in auditing the given area, indicated sources of information and developed ideas for future analysis and advice.

#### Main outcomes of the meeting

1. Approval in principle of the project proposal for 2.6 – the final version, with minor amendments, will be distributed over the upcoming weeks to all Members.
2. Concept for project 2.5 approved; the respective project proposal to be developed.
3. At the meeting, the Subcommittee Members confirmed their willingness to develop methodologies and tools to support:
  - using of internal control, understood as support for the organisation’s strategy, in an audit,
  - understanding and assessing the level of independence and the level of quality of work of internal audit for usage in an audit.
4. Subcommittee Members confirmed their willingness to participate in the IIA’s Project for the refresh of the Three Lines of Defence Model (representing INTOSAI as member of the Advisory Group of the project).
5. Subcommittee Members support the projects presented by the SAI of Hungary and GIZ – both are aimed to support the UN Sustainable Development Goals, and provide an opportunity for further cooperation on the methodology of using internal control in an audit.

6. Internal Control Subcommittee's proposals for the new Strategic Development Plan (SDP):

**Project 2.5 – retained**

No.	Project name	Reasons for the project	Existing material reviewed or included as sources	Preliminary working group may be drawn from	Category
2.5	Consolidated and improved guidance on understanding internal control in an audit	In the existing INTOSAI documents there are no guidance for auditors on how to approach internal control in an audit.	INTOSAI GOVs 9100-9130, ISSAI 1315, COSO, CIPFA, IFAC, Sigma-OECD frameworks	PSC: Internal Control Subcommittee, Financial Audit and Accounting Subcommittee, Compliance Audit Subcommittee, Performance Audit Subcommittee	Subject matter guidance GUID 5000-5999

**Project 2.6 – retained**

No.	Project name	Reasons for the project	Existing material reviewed or included as sources	Preliminary working group may be drawn from	Category
2.6	Consolidated and improved guidance on reliance on the work of internal auditors	The role of internal auditors needs to be stated in the context of an audit. There needs to be a clear linkage between the treatment of internal auditors in the ISSAIs and supporting GUID	INTOSAI GOVs 9140-9150, relevant ISSAIs like 1315 and 1610.	PSC: Internal Control Subcommittee, Financial Audit and Accounting Subcommittee, Compliance Audit Subcommittee, Performance Audit Subcommittee	Subject matter guidance GUID 5000-5999

**NOTE:** until the new set of guidance on internal controls (as understood and approached in auditing) and on reliance on internal audit work in external auditing has been developed, the existing INTOSAI GOV 9100-series should be maintained in the IFPP.