



*Subcommittee on Internal Control Standards*

**MINUTES OF THE MEETING**  
**of the INTOSAI Subcommittee on Internal Control Standards**  
**Online Meeting 11 – 12 October 2021**

**Participants**

***From Subcommittee Chair:***

1. Marian Banaś, ICS Chair, President of SAI Poland
2. Paweł Banaś, ICS Secretariat, SAI Poland
3. Kamila Żyndul, ICS Secretariat, SAI Poland
4. Michał Guldynowicz, SAI Poland
5. Małgorzata Humel-Maciewiczak, SAI Poland
6. Agnieszka Iwaniuk-Stańczak, SAI Poland

***ICS Members:***

7. Mohammad Mahmud Hossain, SAI Bangladesh
8. Nasimul Islam, SAI Bangladesh
9. Mahfuzar Rahman, SAI Bangladesh
10. Hilde François, SAI Belgium
11. Wim François, SAI Belgium
12. David Maris, SAI Belgium
13. Magdolna Julianna Holman, SAI Hungary
14. Enikő Czinder, SAI Hungary
15. Martin Abbink, SAI the Netherlands
16. Paul Neelissen, SAI the Netherlands
17. Yahya Ahmed Almahrooqi, SAI Oman
18. Madeeha N. Alsaybani, SAI Oman
19. Mirtha Piscoya, SAI Peru
20. Mircea Rădulescu, SAI Romania
21. Anca Gheorghe, SAI Romania
22. Cristina Vasilache, SAI Romania
23. Zahira Ravat, SAI South Africa
24. Emine Ersöz, SAI Turkey
25. Süleyman Ağmaz, SAI Turkey
26. Setenay Köksal, SAI Turkey



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**Observers:**

27. Paula Dutra, PSC Secretariat, SAI Brazil
28. Anahi Maranhão, PSC Secretariat, SAI Brazil
29. Raisa Ojala, PSC Secretariat, SAI Brazil
30. Alan Findley, PSC Secretariat, European Court of Auditors
31. Geoffrey Simpson, PSC Secretariat, European Court of Auditors
32. Wilfred Aquilina, PSC Secretariat, European Court of Auditors
33. Toma Donchev, FIPP, SAI Bulgaria
34. Marita Salgrāve, FIPP, SAI Latvia
35. Manish Kumar, CAS, SAI India
36. Daniel Stephane Boutin, FAAS, SAI United Arab Emirates
37. Lene Christiansen, PAS, SAI Norway
38. Lise Hansen, PAS, SAI Norway
39. Hege Larsen, PAS, SAI Norway
40. Khalid Hamid, CIPFA
41. Diana Melville, CIPFA
42. Tim Berichon, The IIA
43. Francis Nicholson, The IIA
44. Pam Stroebel Powers, The IIA
45. Lisa French, Value Reporting Foundation

**Introductory Remarks**

The meeting was opened by President of the Supreme Audit Office of Poland, the Chair of the Subcommittee on Internal Control Standards, who welcomed the participants and emphasised the importance of internal controls as the prerequisite for auditors to understand their auditees. Then Paweł Banaś, the coordinator of the Subcommittee works, presented the agenda of the meeting and Kamila Żyndul from the Secretariat briefed the participants on the latest news on the standard-setting related works of significance to the Subcommittee. These included, among others, information about the revision of ISSAI 140 on audit quality and information about the progress of the so called Component 1 analysis.

**Project 2.5**

The presentation of the Secretariat also comprised the current stage of the works on project *Guidance on auditing internal control* (it is a working title; project is also known as project 2.5 – following the nomenclature of the previous Strategic Development Plan).

The project proposal for 2.5 was ready, and at the end of 2020 it was discussed with the FIPP Liaison Officer for the project Toma Donchev. In February 2021, the project proposal was discussed with the whole FIPP, in a working manner, and it was well received. Then, in July 2021 a discussion was held



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on the project with the PSC Secretariat. The PSC recommended that the ICS should return to the preliminary phase of the works, although it seemed that the project's concept had been already discussed and agreed on. However, this is to provide for greater flexibility, and may allow for seeing where the research will lead to. Another recommendation by the PSC was "not including combined audits/integrated audits, as they are not a separate category of task within the IFPP". The ICS Secretariat explained that the intention was not to have combined audits as a *separate category or type*, but rather as an *approach* integrating the three audit types (e.g. when in one audit both CA and PA objectives are combined – next to one another). In the opinion of the Subcommittee Secretariat, it is an important issue, as many SAIs apply this approach so it cannot be ignored in the future INTOSAI pronouncements. Project 2.5 may also benefit from the current discussions held within the PSC, e.g. on what exactly an INTOSAI GUID should contain (e.g. practical materials), which, once clearly decided, may also facilitate the ICS works. The project will also benefit from the "Working together" document, where different approaches for different types of projects have been agreed by the PSC structures (e.g. consultation and cooperation projects). The document has been developed a result of an effort to learn from the experience to date and to clarify how the PSC structures are going to work in the future. As for the next steps, the project proposal for 2.5 will be updated, approved by the ICS Members and submitted for FIPP's approval) once the time-consuming research phase of the project has been completed. The ICS Members will be periodically updated on the progress of works in this respect.

#### **ICS Terms of Reference**

The Secretariat of the Subcommittee developed draft Terms of Reference that were discussed with the meeting participants. They suggested that the ToR should be supplemented with provisions on how new members could join the Subcommittee and on expectations of active membership. The ToR will be updated in accordance with the participants comments and distributed for the second round of comments and approval through electronic correspondence.

#### **Pre-Draft of *Guidance on Cooperation with Internal Auditors* (project 2.6)**

Paweł Banaś presented the pre-draft of the *Guidance on Cooperation with Internal Auditors* (project 2.6; the link to the web version of the GUID had been forwarded to the meeting participants in advance so that they could take an initial look). Paweł emphasised that the concept of the GUID also reflected the ICS's voice in the discussion on the future of the INTOSAI framework of pronouncements that should start from a reconstruction of the ISSAI level to make it simpler, consistent, gapless and at the same time free of unnecessary repetitions, useful in auditors' practice and useful for potential authors of GUIDs. Paweł also emphasised that the Subcommittee' intention – in developing its GUIDs – is to focus on modern content management, to use what is already available and covered in the IFPP, to track gaps through analysing real life audit reports and to go digital through developing IT tools to support IFPP – so that auditing is more effective. The novelty of the pre-draft is that its contents – available on the ISC website – can be easily printed out in the form compliant with traditional IFPP templates. The new format of the pronouncement is also expected to allow for better control of references and quotations, and to facilitate translation into other languages. The new format, though, imposes some requirements, as web-driven contents call for



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simplicity, allow for folding and are responsive to the needs of the users, which thus have to be duly considered.

The *Guidance on Cooperation with Internal Auditors* has been divided into three main parts:

1. how to **understand** cooperation (and coordination) between external and internal auditors, comprising the basic definitions, the INTOSAI approach stemming from the Lima Declaration and the revised Three Lines model;
2. how to consider existing modes of cooperation in individual cases – the pronouncement presents the modes of cooperation available (e.g. reliance, usage, direct assistance, etc.), and their benefits and risks – so that an external auditor can choose the best **mode of cooperation**;
3. ways to **review** the internal audit function with regard to the SAI-IA cooperation's goals, requirements and quality assurance. Different review approaches will be suggested, depending on the planned scale of cooperation, varying from minimal to maximal expectations.

The project is also considering the application of the integrated reporting concept as one of high level concepts that provides for a coherent organisational model and is open for details depending on the given domain, and supported by EUROSAI and the ECIIA.

### **Next Steps**

The next steps include further developing of the content and mechanisms for its management, updating of the project proposal whose previous version was approved late 2018 and needs to consider the latest developments. The draft updated project proposal was initially presented to the participants and will be forwarded for further consultation via e-mail – consultations will be held in a written format. The draft project proposal will be also consulted on with FIPP Liaison for project 2.6 Marita Salgråve and PSC. The updated project proposal will be submitted to FIPP for their discussion and approval at the FIPP meeting in December 2021. ICS Members have been invited to join the team that would be further working on the pre-draft.

The work plan of the Subcommittee will also be modified accordingly, including changes resulting from 2.6 project proposal update and new projects with the involvement of the ICS, and will be sent to Members for approval via written procedure.

### **Presentations by ICS Partners**

The representatives of ICS stakeholders: the Institute of Internal Auditors (The IIA), the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Value Reporting Foundation were invited to the meeting to present their current projects where the ICS had been involved or whose concepts and approaches could be beneficial for the ICS to consider.

### ***Three Lines in the Public Sector***

Francis Nicholson from The IIA presented the concept of the Three Lines in the Public Sector, where the ICS is going to join actively. The presentation comprised an update on the revised Three Lines



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model (previously known as the Three Lines of Defense): its six principles, similarities and differences between the internal audit functions and those of Supreme Audit Institutions, emphasising the issues of independence and assurance. The specificity of the public sector was also discussed as well as the details of the joint INTOSAI – IIA project. The goal of the project is to develop joint thought leadership applying the Three Lines Model to governance in the public sector with a particular focus on the distinct but complementary roles played by internal audit functions and SAIs. The desired outcomes will be a 6-8 pages document, a webinar and recording, a slide deck with speaker notes, FAQs, as well as a press release and publicity. The addressees of the document include policy makers, senior management, unit managers, risk and compliance functions, internal audit functions, SAIs, thought leaders and training providers. The content of the document is to comprise: (1) a section explaining the public sector specificity, (2) Three Lines Model of governance and the six principles, (3) the relationship between internal audit and external audit, (4) practical examples and illustrative case studies, (5) references to relevant existing guidance. The publication of the document has been planned for the last quarter of 2022. The working group from INTOSAI engaged in the project are SAIs of India, the Netherlands, Poland, South Africa and Taiwan.

#### ***Global Application of Assurance Frameworks – a Concept Paper***

Khalid Hamid and Diana Melville from the CIPFA delivered a presentation on the project entitled *Raising the profile and understanding of assurance*, where active participation of ICS had been foreseen. The objectives of the project include: (1) improve understanding of value of assurance frameworks; (2) support and reinforce good practice in governance, risk management and internal control in public bodies; (3) ensure synergy with related guidance. INTOSAI's engagement in the project can bring several values to the external audit community, such as: encouraging common terminology; improving quality of management oversight in public bodies; reference source of good practices; information for audit planning and risk assessments; improved quality of engagement with governing bodies and audit committees. The project offers several opportunities for the Subcommittee, e.g. providing guidance to auditees on good practices. It will also allow for a discussion with management and those charged with governance on assurance practices and enable knowledge sharing between entities and jurisdictions. The next steps of the project comprise initial feedback and discussion, guide drafting (CIPFA and other stakeholders), review by the ICS, pilot exercise with volunteer SAIs and a review progress at the next ICS meeting. Simultaneously, the representatives of CIPFA invited the ICS members to complete and share survey on internal audit and to take part in the focus group. The link to the survey with an invitation to complete it has been distributed among all ICS members by the Subcommittee Secretariat.

#### ***Introduction to Integrated Reporting***

Lisa French from the Value Reporting Foundation was invited to the meeting to present the concept of integrated reporting (IR) that had been growing in popularity in response to arising needs of reporting going beyond financial aspects. The fundamental concept of IR is to show the value created, preserved or eroded for others and to indicate in reporting aspects other than financial, i.e. manufactured, intellectual, human, social and natural – in this way making reporting more comprehensive and holistic (integrated). The guiding principles of IR include: (1) Strategic focus and future orientation; (2) Connectivity of information; (3) Stakeholder relationships; (4) Materiality;



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(5) Conciseness; (6) Reliability and completeness; (7) Consistency and comparability. Therefore the elements of IR comprise organisational overview, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook and basis of preparation and presentation. In her presentation, Lisa also listed several considerations/challenges associated with the audit/assurance of integrated reports. These include an emphasis on future-oriented information, role of intangibles, causality issues, externalities arising from actions of others and heavy reliance on narrative.