

**Progress Report of the INTOSAI Subcommittee on Internal Control Standards
to be presented at the 62nd INTOSAI Governing Board Meeting, 27-28 October 2011**

Takeover of the Subcommittee Chairmanship

In the first half of 2011, the Subcommittee's activities focused on a smooth takeover of the chairmanship by the SAI of Poland (new Chair since the 20th INTOSAI Congress) from the SAI of Belgium (former Chair). In February 2011, a bilateral meeting was held in Warsaw between the former and the new Chairs, during which the rules and organisation of the Subcommittee Chairmanship were discussed. The meeting was also concerned with the scope and expected results of the Subcommittee's planned activities.

Action Plan for 2010-2013

As a result of the meeting with the SAI of Belgium, the new Subcommittee Chair elaborated a draft Action Plan (March 2011), defining the ways and schedule of the implementation of individual tasks of the Plan. The draft was sent to Subcommittee Member SAIs and the Institute of Internal Auditors (IIA) for comment. By mid-May, Subcommittee Members sent their comments which were later analysed, and used to amend the Plan accordingly. As a result, the final version of the Action Plan was developed, and coordinators for the implementation of individual tasks of the Action Plan were appointed, on a voluntary basis.

Tasks to be implemented

For the years 2010-2013, the following tasks were set:

1. Work out examples of internal control measures, for all internal control objectives (effectiveness, efficiency, ethical standards, compliance with laws and regulations, etc.) and all control components (control environment, risk assessment, control activities, information and communication, monitoring).
2. Actively promote the integration of the INTOSAI GOV internal control and risk management conceptualisation into the ISSAIs, notably on financial audit, performance audit, compliance audit.
3. Integrate the Guidelines and the Further Information on risk management. It is preferable to have one single document with risk management as the main concept and internal control regarded as a part of it.
4. Prepare a paper concerning reporting on internal control (for example as "in control statements"). A survey could be conducted on that subject in order to establish the extent to which internal control reporting exists, under what forms and what the underlying frames of reference are.
5. Monitor and analyse the use of the e-platform both in terms of its utility value and content of the information (trends, topics for future work plans, targeted requests for further information, etc.).

Achievements with regard to the implementation of the Action Plan for 2010-2013

To provide for a smooth implementation of the Action Plan, coordinators were appointed for individual tasks of the Plan. The SAIs of Austria, Lithuania and the Netherlands volunteered to coordinate task 3, task 4 and task 5 respectively. The SAI of Belgium, as the former Subcommittee Chair, volunteered to support the works within the implementation of individual tasks.

At present, the Subcommittee Chair and the Tasks Coordinators exchange ideas on how to implement the tasks of the Action Plan.

A working meeting has been also planned for the Tasks Coordinators, to be held in Warsaw in mid-November 2011. Representatives of the IIA Global and COSO have also been invited to participate in the meeting and to contribute with their knowledge and expertise in standard setting, as well as representatives of the SAI of Belgium, the former Subcommittee Chair.

Within activities aimed at developing the Subcommittee e-platform, a report elaborated by the OECD entitled *Internal Control and Internal Audit: Ensuring Public Sector Integrity and Accountability* has been placed on the e-platform to be accessed by all Subcommittee Members, as well as the methodology applied in the survey on which the report was based.

Other activities in the international arena

In April 2011, the Subcommittee Chair participated in a seminar organised by the OECD in Paris. The seminar was dedicated to the challenges faced by Internal Audit in contributing to mitigation of fraud and corruption risks in the public sector. Participation in the seminar was an opportunity to promote INTOSAI and the Internal Control Standards Subcommittee's achievements to date.

In September 2011, the SAI of Belgium, in their capacity as a Subcommittee member and its former Chair, delivered a presentation on INTOSAI GOV 9140 (*Internal Audit Independence in the Public Sector*) and INTOSAI GOV 9150 (*Coordination and Cooperation between SAIs and Internal Auditors in the Public Sector*) at the 42nd meeting of the Representatives of Internal Audit Services (RIAS) of the United Nations, hosted by the OECD in Paris.

Furthermore, the President of the Polish SAI, in his capacity as Chair of the Internal Control Standards Subcommittee, was addressed by Mr Henrik Otbo, Chair of the INTOSAI Professional Standards Committee, with a proposal to be an INTOSAI representative to the IIA's Internal Auditing Standards Board (IASB). The proposal came as a response to the letter by the President of the IIA, asking the PSC Chair to appoint an INTOSAI representative to the IASB. The SAI of Poland agreed to the proposal, since participation in the works of the IASB may provide an excellent opportunity to strengthen cooperation with the IIA in the field of developing and promoting INTOSAI standards.

The Subcommittee Chair has also been approached by the INTOSAI Financial Audit Subcommittee with a request to comment on the document entitled *Audit Quality: an International Framework*, whose development is in progress. The Subcommittee's engagement in the elaboration of the

document will allow for obtaining a broader perspective as for generating framework principles for audit quality assurance.

Other activities at the national level

A translation of INTOSAI GOVs into the Polish language has been developed to promote the standards in Poland.

Additionally, an audit has been completed by the Polish SAI on the functioning of management control and internal audit in local self-government units in Poland. The audit, apart from presenting the weaknesses found, is aimed at encouraging public sector managers in Poland to use INTOSAI standards. Importantly enough, the Polish Finance Minister, while developing guidelines on management control, indicated INTOSAI GOV 9100 (*Guidelines for Internal Control Standards for the Public Sector*) as a source document. The results of the audit were presented at a conference dedicated to management control and internal audit, held in September 2011 in Kraków, Poland. Further activities aimed at promoting INTOSAI standard among public sector managers in Poland are also planned.

At present, the SAI of Poland has been carrying out an audit of the functioning of management control and internal audit at the governmental level. After the audit has been completed, an overall report will be elaborated on the state of management control and internal audit in the Polish public sector in 2010.