Plan for the evaluation of INTOSAI's standard setting (goal 1)

This memo defines the plan for the evaluation of INTOSAI's standard setting. The evaluation will be carried out in 2014 by the Chair of the PSC (SAI of Denmark) in cooperation with the Chair of the Task Force on Strategic Planning (SAI of USA) and INTOSAI's Development Initiative (IDI).

The memo describes the following in relation to the evaluation:
1. Background
2. Scope and purpose
3. Reporting of the results
4. Organisation and methods
5. Timeline

The appendix provides a more detailed outline of the evaluation.

1. Background

The XXI INCOSAI in Beijing in 2013 approved of the mandate of the Professional Standards Committee (PSC) as well as the committee's determination to find sustainable solutions that will provide sufficient guarantees that the Framework and Due Process of INTOSAI's professional standards are maintained and developed for the future. It will therefore be a primary goal of the PSC under the mandate for 2013-2016 to:

Evaluate and improve the standard-setting processes in close cooperation with the INTOSAI Task Force on Strategic Planning in order to ensure and develop INTOSAI's standards for public-sector auditing.

The purpose of Task Force on Strategic Planning (TFSP) will be to develop a new strategic plan for INTOSAI and define the new strategic goals that will take effect from 2016.

The PSC is established in order to pursue goal 1 of the current strategic plan 2010-2016:

Strategic Goal 1: Professional Standards

Promote strong, independent, and multidisciplinary SAIs and encourage good governance, by
1) providing and maintaining the International Standards of Supreme Audit Institutions (ISSAI)
2) contributing to the development and adoption of appropriate and effective professional standards.

The mandate is based on the PSC's report to INCOSAI on the status of goal 1. Since the first strategic plan was launched in 2004 INTOSAI has decided on the Framework and Due Process for INTOSAI Professional Standards, a roll-out plan on implementation of the ISSAIs and have issued a total of 78

ISSAIs. In 2013 INCOSAI endorsed the new *ISSAI 100 - Fundamental Principles of Public Sector Auditing* which defines the basic concepts and core principles on which INTOSAI's standards are to be based in the future.

As a result of these decisions INTOSAI's **professional standards** consist of two classes of documents: The ISSAIs provides guidance on the auditor's responsibilities whereas the other class of documents – the INTOSAI Guidance for Good Governance (INTOSAI GOVs) - provides guidance to ministries and other administrative authorities on internal control and accounting.

Parts of the ISSAIs provide a set of international **auditing standards** while other ISSAIs serve other purposes. The ISSAIs are classified into 4 levels. Level 1 is *ISSAI 1 – The Lima Declaration* and level 2 is the *ISSAIs 10-99* which describe the prerequisites for the functioning of SAIs. At level 3 the *ISSAIs 100-999 Fundamental Auditing Principles* provide a common basis for the national auditing standards developed or adopted by SAIs and the professional cooperation on auditing matters within INTOSAI. These principles are translated into more detailed guidance at level 4. This level include the *ISSAIs 1000-4999 general auditing guidelines* developed by the PSC's subcommittees for financial, performance and compliance auditing as well as the *ISSAIs 5000-5999 guidelines on specific subjects*.

ISSAI 100 makes it clear that it is the ISSAIs 1000-4999 on financial, performance and compliance auditing that may be used as auditing standards. These ISSAIs were launched in 2010 in order to meet the need for *specific, detailed and operational guidelines that can be used on a daily basis for auditing tasks*. In cases where the auditor informs the users that the audit has been conducted **in accordance with the International Standards of Supreme Audit Institutions** the auditor will have to comply with all ISSAIs relevant to the audit. The requirements to financial audits are defined by the international standards on auditing (ISAs) issued by the standard-setting board established by the International Federation of Accountants (IFAC) and the ISSAIs provides only supplementary practice notes. For performance and compliance audits - or other areas that may be addressed in the future - it will be for INTOSAI to define the relevant requirements to the conduct of public-sector audits through its own standard-setting processes.

2. Scope and purpose

In light of the above, the evaluation will focus on INTOSAI's role as an international standard-setter for public-sector auditing. The scope of the evaluation will be INTOSAI's achievements under goal 1 of INTOSAI's Strategic Plan's 2004-2010 and 2010-2016 with regard to the establishment of appropriate and effective standards for public-sector auditing. The purpose of the evaluation is:

> ▸ **To assess whether INTOSAI as a result of goal 1 has the capabilities and processes needed to define and influence international standards for public-sector auditing in the future.**

This overall purpose will be achieved by evaluating 6 themes:

Theme 1 ▶ **Do the processes established under goal 1 provide for legitimate, independent and transparent standard-setting?**

Theme 2 ▶ **Has goal 1 resulted in a clear and consistent set of standards for public-sector auditing that can be implemented and referred to by all INTOSAI members?**

Theme 3 ▶ **Is goal 1 supported by structures and capabilities that provide credible guarantees to INTOSAI's members and partners that the standards will be sustained and developed in the future?**

Theme 4 ▶ **Is goal 1 supported by capabilities and processes that enable INTOSAI to cooperate with other standard-setters on a mutual and equal basis in order to influence requirements and expectations to audits?**

Theme 5 ▶ **Is goal 1 supported by capabilities and processes that will encourage a wide recognition of the ISSAIs as a set of auditing standards that can be relied upon by auditors, users, other stakeholders and the wider public as a credible and adequate safeguard of the quality of public-sector audits.**

Theme 6 ▶ **Is the standard-setting work under goal 1 organised in cost-efficient ways?**

The evaluation in relation to theme 1-6 will result in an **overall assessment of strengths and weaknesses as well as threats and opportunities (SWOT) for INTOSAI as a provider of standards for public-sector auditing**.

The evaluation will not include the work of INTOSAI's Capacity Building Committee (CBC) and Knowledge Sharing Committee (KSC) under goal 2 and 3 of the strategic plan. Some subcommittees under CBC and KSC have however also contributed to goal 1 through the development of ISSAIs. This work may therefore be included in the evaluation to the extent it is relevant for the assessment of the overall achievements under goal 1. The evaluation concerns professional standards for *auditing* and will therefore only include the development of INTOSAI GOVs to the extent this impacts on the development of the ISSAIs.

3. Reporting of the results

The PSC will present the report on the evaluation of goal 1 to the INTOSAI Governing Board at its meeting in October/November 2014. The report will include:
- The SWOT assessment regarding the 6 themes of the evaluation
- Recommendations on sustainable solutions for INTOSAI standard setting. These will include assessments of cost and benefits of the proposed options (business case).

The main results of the evaluation will also be included in the overall SWOT analysis elaborated by the TFSP and feed into the TFSP's elaboration of a new strategic plan. The TFSP is expected to present its first report to the Finance and Administration Committee (FAC) and the Governing Board in October/November 2014.

4. Organisation and methods

The conduct of the evaluation will include the following 5 components:

Carried out by the SAI of Denmark as PSC Chair:
A – Participants survey: An electronic questionnaire is used to obtain information on the background, perceptions and experiences of persons who have been directly engaged in the development of ISSAIs. This will include members of the PSC Steering Committee and subcommittees as well as the project groups that developed ISSAIs endorsed at INCOSAI in 2013.

B – Benchmarking: INTOSAI's standard setting processes and capabilities are benchmarked against a range of other standard setters or other relevant organisations. This will be based on publicly available information. The organisations included will be informed and asked to confirm the adequacy of the information provided.

Carried out by the IDI
C – IDI review of the ISSAIs: Experts of the IDI will provide a desk review of the usability of the IS-SAIs as a set of auditing standards for SAIs. This will include an assessment on how well the IS-SAIs address the specific issues related to the mandate and function of SAIs and summarize experiences from the implementation efforts. IDI will report in the form of a 5-10 pages SWOT assessment where findings are rated after importance.

Engagement of INTOSAI members and external stakeholders with the SAI of USA as chair of TFSP:
In order to achieve the purpose of the evaluation a broad engagement with the members of INTOSAI and key external stakeholders is necessary. The TFSP announced at the XXI INCOSAI in Beijing in 2013 that the task force will conduct internal and external scans of INTOSAI's members and external stakeholders. The PSC will to the widest extend possible cooperate with the TFSP in order to avoid duplication of questions to respondents. The PSC may thus provide input to the scans and draw on the results of the scans. However the planning of the scans is still on-going and the project plan is expected to be approved primo 2014.

D – INTOSAI members (TFSP Internal Scan): The evaluation is expected to draw on the internal scan conducted by the TFSP among the INTOSAI members.

E – External stakeholders (TFSP External Scan): The evaluation is expected to draw on the external scan conducted by The TFSP among INTOSAI's external stakeholders on the role of INTOSAI. This may include engagement with parties relevant for INTOSAI's standard setting on the basis of input from the PSC for the purpose of the evaluation.

The evaluation may further draw on other available information such as the IDI Global survey and the evaluations of the achievements of FAS commissioned by the SAI of Sweden. Before the evaluation report is finalized the PSC chair will also encourage input from the chairs of the relevant committees and subcommittees as well as the regional working groups.

The appendix provides a more detailed outline of the evaluation. This explains what information each of the 5 components is expected to provide regarding each of the 6 themes of evaluation.

5. Timeline

	Overall report	**Component A** Participants survey	**Component B** Benchmarking	**Component C** IDI review of ISSAIs	**Component D** INTOSAI members (TFSP)	**Component E** External stake-holders (TFSP)
Q4	Planning Definition of components	Development of questions List of respondents	Development of concept Start gathering of information	Development of concept		
2014 Q1	**15/1 2014** deadline for comments to the evaluation plan from the PSC SteerCom First outline of report – drafting of introduction and background sections **24/3 2014** deadline for SWOT based on completed components	**1/3 2014** deadline for answers to the survey **24/3 2014** deadline for part on result of survey	**1/2 2014** standard-setters asked to confirm information **1/3 2014** deadline for reactions **24/3 2014** deadline for part on results of benchmarking	**24/3 2014** Preliminary input from IDI	Development of questions	Development of questions
Q2	**3-4/4 2014** discussion with SubCom chairs **1/5 2014** deadline for draft report to PSC SteerCom			**25/4 2014** Deadline for review by IDI		
Q3	Elaboration of recommendations (with business case) - input from PSC SteerCom and TFSP **15/9 2014** Deadline for hearing in PSC and regions **30/9 2014** deadline for report to TFSP, FAC and GB					
Q4	PSC's evaluation report to GB Main results included in TFSP's report to FAC and GB					

Appendix – Outline of the evaluation

The following table provides a preliminary outline of the aspects the evaluation will seek to cover in relation to each of the 6 themes. It also specifies how the components A-E is expected to contribute with information for each theme. This outline may be adjusted in the course of the evaluation.

At each row of the table the result of the evaluation may be that a key **strength or weakness** is identified. This will reflect current status and mainly be based on the inward focused components A, C and D. The component B and E will provide a more external perspective that can inform how INTOSAI may best utilize this current status in order to **threats** and seize new **opportunities** as a standard setter in the future.

X - the component is expected to provide information of relevance for the aspect	A – Participants survey	B – Benchmarking	C – IDI review of ISSAIs	D – INTOSAI members	E – External stakeholders
Theme 1 – Do the processes established under goal 1 provide for legitimate, independent and transparent standard-setting?					
Legitimate: On the basis of goal 1 INTOSAI has established a Due Process and Framework of Professional Standards through decisions taken by the organisation's appropriate decision-making bodies		X			
Legitimate: The Due Process and Framework of Professional Standards defines a clear process which is followed in practice when standards are developed	X	X			
Legitimate: The decisions taken through the Due Process are perceived as legitimate and authoritative by all INTOSAI bodies as well as INTOSAI's members	X			X	
Legitimate: All INTOSAI members have fair and equal possibilities to engage in the standard-setting process	X	X		X	
Legitimate: There are efficient mechanisms to ensure that the requirements defined by the ISSAIs are based on established practices and sets a reasonable level of ambition that INTOSAI members can be expected to live up to	X	X			
Legitimate: The standard setting work attracts the best available expertise and there are mechanisms to ensure that the group of people who define the requirements of the ISSAIs collectively possess all relevant competencies	X	X			

X - the component is expected to provide information of rel-evance for the aspect	A – Participants survey	B – Benchmarking	C – IDI review of ISSAIs	D – INTOSAI members	E – External stakeholders
Legitimate: The are efficient mechanisms to ensure that the group of people who define the requirements of the ISSAIs collectively possess sufficient knowledge of public-sector auditing in the different regions and systems within INTOSAI	X	X			
Independence: The processes ensure that the standard-setting cannot be dominated by individual SAIs or persons which may be promoting specific interests or views at the expenses of the overall INTOSAI community	X	X		X	
Independence: The processes ensure that the standard-setting cannot be dominated by external parties which may be promoting specific interests at the expenses of the overall INTOSAI community	X	X		X	
Transparent: It is clear for INTOSAI members in which bodies and at what stages in the process they can engage in order to influence the standards	X	X			
Transparent: All interested parties can easily find out who defines the requirements to SAIs and auditors	X	X			
Transparent: There are efficient mechanisms to monitor the adherence to due process and to solve disputes regarding the due process	X	X			
Theme 2 – Has goal 1 resulted in a clear and consistent set of standards for public-sector auditing that can be implemented and referred to by all INTOSAI members?					
Clarity: The ISSAI Framework defines clear categories of documents provided in a clear structure on the basis of INTOSAIs decision from 2007	X	X	X		
Clarity: It is possible for readers of the ISSAIs to see what status different statements have (e.g. whether they express advice, aspirational goals, general principles that can be applied with flexibility as relevant, considerations or judgments that should be made, a limited number of options or unconditional requirements that should be followed).		X	X		
Clarity: The ISSAIs 10-4999 makes it clear what is required if a SAI wishes to assert that it complies with the ISSAIs and what is required of auditors who state that audits have been conducted in accordance with the ISSAIs		X	X		

X - the component is expected to provide information of relevance for the aspect	A – Participants survey	B – Benchmarking	C – IDI review of ISSAIs	D – INTOSAI members	E – External stakeholders
Clarity: The ISSAIs are written in a language that is easy to comprehend for auditors as well as users of the audit results	X		X		
Consistency: The full set of ISSAIs provide consistent messages			X		
Consistency: The ISSAIs use consistent terminology, so the same key concepts are used in the same way in all ISSAIs			X		
Consistency: The 5 official language versions are fully consistent			X		
Consistency: The ISSAIs 5000-5999 draws on the ISSAIs 10-4999 and provide supplementary guidance on how these ISSAIs can be applied to specific subject matters	X	X	X		
Consistency: The INTOSAI GOVs supplements the ISSAIs and do not in any way contradict the ISSAIs	X	X	X		
Can be implemented by all members: It is clear from the ISSAIs 10-4999 which situations or types of audits and engagements the guidance apply to and do not apply to			X		
Can be implemented by all members: The ISSAIs are equally relevant for the various types of audits and engagements carried out by all segments of INTOSAI's membership	X		X	X	
Can be implemented by all members: The ISSAIs are relevant for SAIs with low capacity in least developed countries (LDCs) as well as SAIs with advanced capacity in high-income countries	X		X		
Can be implemented by all members: The ISSAIs 1000-4999 are relevant for combined audits incorporating financial, performance and compliance audit aspects as well as separate financial, performance or compliance audits	X		X		
Can be implemented by all members: The ISSAIs 1000-4999 are relevant for audit s that result in one annual/overall report to parliament (or equivalent) as well as SAIs that provide separate audit reports on each public-sector entity	X		X		
Can be implemented by all members: There are systems to monitor and evaluate the implementation of ISSAIs		X	X		
Can be implemented by all members: There are systems to support education and accreditation in public-sector audits based on ISSAIs		X	X		
Can be implemented by all members: The ISSAIs are increasingly implemented by INTOSAIs members			X	X	

X - the component is expected to provide information of relevance for the aspect	A – Participants survey	B – Benchmarking	C – IDI review of ISSAIs	D – INTOSAI members	E – External stakeholders
Theme 3 – Is goal 1 supported by structures and capabilities that provide credible guarantees to INTOSAI's members and partners that the standards will be sustained and developed in the future?					
Structures: There are efficient mechanisms to monitor new developments, review existing ISSAIs and identify needs for revisions or development of new documents	X	X			
Structures: There are efficient feed-back mechanisms to ensure that the SAI's practical experiences with the implementation and use of ISSAIs are utilized in the ongoing development of ISSAIs	X	X			
Structures: There are efficient mechanisms to ensure that the total number and volume of ISSAIs is in line with the resources which are committed to ensure maintenance	X	X			
Capabilities: INTOSAI has committed adequate resources to sustain the Due Process and Framework of INTOSAI's Professional Standards in the long term	X	X			
Capabilities: The committed long-term resources provides for the capacity and competences needed to develop and maintain auditing standards	X	X			
Capabilities: The committed long-term resources provides for common INTOSAI means to support efficient international cooperation on complex professional issues	X	X			
Capabilities: The committed long-term resources provides for common INTOSAI means to undertake analysis of needs, support development of the text of standards and ensure monitoring and evaluation of how well the standards work in practice	X	X			
Credible guarantees: Members who invest resources in ISSAI development can be confident that the investment is safeguarded and further developed on in the future	X	X		X	
Credible guarantees: External donors who supports ISSAI development or implementation can be confident that the investment is safeguarded and further developed on in the future	X	X			X

X - the component is expected to provide information of relevance for the aspect	A – Participants survey	B – Benchmarking	C – IDI review of ISSAIs	D – INTOSAI members	E – External stakeholders
Theme 4 – Is goal 1 supported by capabilities and processes that enable INTOSAI to cooperate with other standard-setters on a mutual and equal basis in order to influence requirements and expectations to audits?					
Capabilities: There are common mechanisms to monitor developments in relation to auditing standards and identify and address key issues for SAIs	X	X			
Capabilities: INTOSAI has an organizational capacity that allows INTOSAI to negotiate with other organisations and effectively represent INTOSAI's members on matters of professional standards	X	X		X	X
Capabilities: In areas where INTOSAI draws on other standard setters INTOSAI is able to assess the requirements and decide whether they are appropriate for public-sector auditing	X	X		X	
Capabilities: If the requirements defined by others are inappropriate INTOSAI has the capability needed to define more appropriate requirements for public-sector auditing	X	X		X	
Cooperate on a mutual basis: INTOSAI's partners experience that INTOSAI is a unified organization that speaks with one voice on professional matters	X	X			X
Cooperate on a mutual basis: INTOSAI is able to ensure reciprocity when INTOSAI and its members recognize and promote standards from other organisations	X			X	
Cooperate on a mutual basis: The capacity of INTOSAI is sufficient compared with other standard-setters	X	X		X	
Cooperate on a mutual basis: The standard-setting processes of INTOSAI allows for equal and mutual representation between INTOSAI and other standard-setters		X			
Processes: INTOSAI has transparent and legitimate processes for nominations and appointments to bodies established by other standard setting organisations	X	X		X	
Processes: INTOSAI has established processes through which members can follow the work and provide input to INTOSAI's representatives in other standard-setters	X	X			
Influence: INTOSAI is represented in the key bodies and have access to the relevant fora that influence requirements and expectations to SAI audits internationally	X	X		X	X

X - the component is expected to provide information of relevance for the aspect	A – Participants survey	B – Benchmarking	C – IDI review of ISSAIs	D – INTOSAI members	E – External stakeholders
Influence: INTOSAI is able to define timely and relevant common positions on professional matters related to the requirements and expectations to SAI audits	X	X		X	
Influence: INTOSAI's views and positions are effectively promoted through the bodies where INTOSAI is represented and in other relevant fora	X			X	
Influence: INTOSAI is invited by stakeholders and the general public to provide its views on what can be expected from audits	X				X
Theme 5 – Is goal 1 supported by capabilities and processes that will encourage a wide recognition of the ISSAIs as a set of auditing standards that can be relied upon by auditors, users, other stakeholders and the wider public as a credible and adequate safeguard of the quality of public-sector audits.					
Capabilities: INTOSAI uses its general organizational capacities to promote the ISSAIs among external stakeholders	X	X	X	X	
Capabilities: Stakeholders can easily obtain relevant information from INTOSAI or invite speakers to present the ISSAIs	X	X			
Capabilities: INTOSAI bodies (e.g. IDI), members and others have access to advice and clarification from the standard-setting body on how the ISSAIs are to be understood and implemented	X	X	X		
Processes: There are mechanisms to ensure that the requirements established by the ISSAIs will ensure a sufficient level of audit quality	X	X			
Processes: There are mechanisms to ensure that the public interest and the perspective of the users of audit reports are considered when the auditing standards are developed	X	X			X
Processes: There are feed-back mechanisms to ensure that the user's experience with regard to the quality of audits conducted in accordance with ISSAIs are utilized in further development of the standards	X	X			
Recognition: SAIs and their auditors regard the ISSAIs as the most credible and adequate set of international standards for public sector audits	X			X	
Recognition: Auditors in private firms considers the ISSAIs as foreseen by ISAI 200 (cf, item A57) when they carry out engagements in the public sector with a broader scope than a purely financial audit	X			X	

X - the component is expected to provide information of relevance for the aspect	A – Participants survey	B – Benchmarking	C – IDI review of ISSAIs	D – INTOSAI members	E – External stakeholders
Recognition: External stakeholders and users regard the ISSAIs as the most credible and adequate set of international standards for public sector audits				X	X
Quality: The quality safeguards provided by the ISSAIs are at a high level compared with comparable auditing standards	X	X			
Quality: It is clear how public-sector auditing may differ from the audits provided for by other international standards	X		X	X	X
Theme 6 – Is the organization of the work under goal 1 cost-efficient?					
Organization of the work: There is clarity on the scope and purpose before projects to develop new ISSAIs are launched	X	X		X	
Organization of the work: Priorities are made between potential projects and duplication of work is avoided	X	X			
Organization of the work: The costs of development as well as the future maintenance is considered before new projects are launched	X	X			
Organization of the work: The costs and benefits of drawing on materials from other standard-setters are considered before new projects are launched	X				
Organization of the work: The costs of implementation and auditing for SAIs are considered before new ISSAIs and requirements are issued	X	X			
Cost-efficient: SAIs use resources on ISSAI development because they share a common goal and experience that progress is made towards that goal	X			X	
Cost-efficient: SAIs that wish to contribute and influence on the ISSAIs can do so by working through a limited number of bodies and channels	X	X		X	
Cost-efficient: The resources are employed in the best possible ways and SAIs experience that the necessary work of information gathering, analysis and drafting is carried through in efficient ways	X	X			
Cost-efficient: The total costs are reasonable in relation to the results achieved	X	X		X	
Cost-efficient: The future cost implication of INTOSAI's decisions have been assessed and the financing has been ensured	X	X			