The ISSAI Harmonisation Project
INTOSAI Professional Standards Committee

Final Report
PSC Steering Committee Meeting, June 17-19, 2013

The Harmonisation Project is finished
– A new set of fundamental auditing principles for INTOSAI
has been developed!

The harmonisation of ISSAIs 100-400 is a strategic goal for the PSC in the mandate period 2011-2013 and the finalisation of the ISSAI Harmonisation Project marks the end of the third step towards creating a common, credible and consistent set of standards for public sector auditing.

The first step was taken in 2007 by INCOSAI in Mexico. At that time, all relevant existing and planned official INTOSAI documents and nine new ISSAIs for financial auditing were gathered in the ISSAI framework; the framework for International Standards of Supreme Audit Institutions.

The second step was taken in 2010 by INCOSAI in South Africa, where congress approved 37 new ISSAIs and thereby launched the first comprehensive set of ISSAIs. All members of INTOSAI were encouraged to use the ISSAIs as a common frame of reference for public sector auditing, measure their own performance and auditing guidance against the ISSAIs and implement the ISSAIs in accordance with their mandate and national legislation.

The third step will be the endorsement of the revised Fundamental Auditing Principles in the new ISSAI 100, 200, 300 and 400 in October 2013 at INCOSAI in China. With this endorsement, the Harmonisation Project will have achieved its overall purpose which was to provide a conceptual basis for public sector auditing that will ensure consistency in the ISSAI framework. The new ISSAIs 100, 200, 300 and 400 provide INTOSAI with an improved basis for international cooperation and the continued improvement of the ISSAIs. The new ISSAIs also provide each INTOSAI member with a clearer foundation for their individual decisions on how the ISSAIs can best be implemented and used within the national context. It will be a continued effort for the PSC and the subcommittees to ensure that the new ISSAIs are used as a basis for future revisions of the ISSAIs on level 4.

This report presents an overview of the main achievements of the project. It also explains how the endorsement of the new set of fundamental auditing principles will contribute to the continued improvement of the full set of ISSAIs, and it provides the most important insights on how the project group has conducted their work.

The following is attached to this report:
   - The approved mandate and project proposal (Annex A)
   - List of participants in the ISSAI Harmonisation Project (Annex B)
   - Overview of key milestones (Annex C)

Further information on the ISSAI Harmonisation Project can also be found under 'PSC' on www.psc-intosai.org. In accordance with the Due Process for INTOSAI's Professional Standards all comments received to the Exposure Draft ISSAIs 100, 200, 300 and 400 have been published together with the project group's considerations on www.issai.org.

A. The main achievements of the project

The project group takes pride in presenting four new ISSAIs to the PSC Steering Committee, namely ISSAIs 100, 200, 300 and 400, which will replace the existing ISSAIs 100-400

pending on the PSC Steering Committee's approval and the endorsement by INTOSAI's Governing Board and INCOSAI.

On 15 November 2012 all four draft ISSAIs were published on www.issai.org for exposure until 15 February 2013. Following the exposure period, the project group reviewed all comments received, thoroughly considered the relevance of the comments and revised the ISSAIs accordingly.

The comments received to the four exposure drafts reflected a reassuringly high level of engagement by INTOSAI's members with this key stage of the standard-setting due process. We have received a total of 1216 comments from 47 SAIs or other organisations, which has contributed significantly to the improvement of the drafts. The comments received generally express a wide support for the overall ambitions of the project and reflects that many SAIs have given the drafts developed a very thorough consideration.

With the finalisation of the Harmonisation Project, INTOSAI now has a solid foundation in the ISSAIs for its various activities. The new fundamental auditing principles present INTOSAI's definition of public sector auditing and create a common platform for SAIs around the world. This includes the key auditing concepts that will serve as a common language for the INTOSAI community.

With the endorsement of these four new ISSAIs, INTOSAI will therefore further strengthen its position as a recognised provider of professional standards for SAIs. Rather than being technical auditing standards, they provide the overall description of the principles that guide public sector auditing

With the INCOSAI endorsement, the main results of the project will be:
- A new ISSAI 100 that sets out the fundamental principles of public sector auditing
- New ISSAIs 200, 300 and 400 that define the foundation for financial, performance and compliance auditing in the public sector
- A new set of ISSAIs that define the common elements of public sector auditing
- An explanation of the authority of the ISSAIs which also explains what it means to comply with the ISSAIs.

These results are further explained below.

The new ISSAI 100 sets out
the fundamental principles of public sector auditing

ISSAI 100 – The Fundamental Principles of Public Sector Auditing are expected to be the new flagship for INTOSAI in promoting public sector auditing and good auditing practice. It covers all types of public sector audits whatever their form or context. ISSAI 100 presents a definition of public sector auditing and provides the essential concepts, elements and principles that apply to all public sector audits; it can therefore be used by all SAIs, regardless of their tasks and mandate. Great efforts were made to ensure that, as far as possible, the new ISSAIs reflect the perspectives of all members of the INTOSAI family.

ISSAI 100 conveys that public sector auditing is essential in providing independent and reliable information to legislatures, oversight bodies, those charged with governance and the public. Public sector auditing enhances the confidence of intended users by providing information and independent and objective assessments on deviations from accepted

standards or principles of good governance. Audits are required to be objective and results are based on findings supported by sufficient and appropriate evidence. However, due to inherent limitations, audits can never provide absolute assurance for the intended users.

The new fundamental auditing principles also improve coherence and consistency between the levels in the ISSAI framework. The new ISSAIs make consistent reference to the ISSAIs on level 1 and 2 so overlaps between them are avoided. ISSAI 100 sets out the elements of public sector auditing as well as the principles that apply to public sector auditing, both the general principles related to an audit, and the principles related to the different phases of the audit process. In this way ISSAI 100 also provides the basis for the specific principles and concepts that are contained in ISSAIs 200, 300 and 400 and defines the three areas of auditing; financial, performance and compliance auditing that are explained further in these ISSAIs.

The new ISSAIs 200, 300 and 400 define the foundation for financial, performance and compliance auditing in the public sector

Whereas ISSAI 100 lays out the basic principles for public sector auditing in general, ISSAIs 200, 300 and 400 have a more targeted scope of application and contain the fundamental principles for financial, performance and compliance auditing. They also provide the core of the more detailed financial, performance and compliance auditing guidelines on level 4. Along with ISSAI 100, the key principles described in ISSAIs 200, 300 and 400 provide the basis for any further development of the guidelines on level 4.

ISSAI 200 – Fundamental Principles of Financial Auditing – provides an overview of the nature, the elements and the principles of auditing financial statements as conducted by SAIs. The principles presented are consistent with the ISAs and the Financial Auditing Guidelines on level 4, and ISSAI 200 provides references (links) to ISSAIs 1000-1999 (ISAs with practice notes), which contain the requirements for such audits.

ISSAI 300 – Fundamental Principles of Performance Auditing – defines and expresses INTOSAI's recognition of the principles for the auditing of economy, efficiency and effectiveness. The framework for performance auditing is provided, together with the general principles for performance audits.

ISSAI 400 – Fundamental Principles of Compliance Auditing – provides an overview of the nature, the elements and the principles of compliance auditing as conducted by SAIs and thus defines and expresses INTOSAI's recognition of the principles for auditing of compliance with authorities (laws and regulations and principles of sound public sector financial management and conduct of public sector officials).

The ISSAIs define the common elements of public sector auditing

It was a key priority for the project group to ensure that ISSAI 100 could be of use to all INTOSAI members. ISSAI 100 provides a common language and common concepts that describe and define public sector auditing, and thus engenders a common understanding and application of public sector auditing standards.

The section 'Elements and the Principles of Public Sector Auditing' in ISSAI 100 sets out the elements of public sector auditing. The purpose of public sector auditing is defined by the

Lima Declaration: the concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Public sector auditing enhances the confidence of intended users by providing information and independent and objective assessments on deviations from accepted standards or principles of good governance.

All public sector audits include the same basic components. Auditing is in INTOSAI's standards divided between financial, performance and compliance auditing. The section on elements in ISSAI 100 elaborates on the description of public sector auditing in the Lima Declaration, and defines a set of concepts – the elements – that can be used to describe what public sector auditing is. The elements add amplification and specification to the concepts of financial, performance and compliance auditing and allow for a more technical definition of public sector auditing.

The elements define the basic framework within which public sector auditing is carried out. The elements include a definition of the three parties of an audit (the auditor, the responsible party, intended users) and their roles. ISSAI 100 defines how public sector audits can be categorized as two different types of audit engagements; attestation engagements and direct reporting engagements. In attestation engagements it is the responsible party who measures the subject matter against criteria. In direct reporting engagements – such as performance audits and certain compliance audits - it is the auditor, who measures or evaluates the subject matter against criteria.

Intended users seek confidence about the reliability and relevance of the information used as the basis for their decisions. In ISSAI 100 define that the outcome of a public audit will be a form of assurance.. ISSAI 100 defines that assurance can be communicated in two ways, depending on the needs of the users and the audit. One option is through opinions and conclusions which explicitly conveys the level of assurance. This applies to all attestation engagements and certain direct reporting engagements. Second option is through "other forms" when the auditor does not provide an explicit statement of assurance on the subject matter; this applies to some direct reporting engagements. In this case, the auditor conveys the confidence required by the user by providing explicit explanations of how findings, criteria and conclusions were developed in a balanced and logically reasoned manner, including why the combinations of findings and criteria result in a certain overall conclusion or recommendation.

The elements described in ISSAI 100 are technical concepts that can be used when writing standards, and constitute the concepts used to explain public audit and what type of audit SAIs perform. This common professional language will facilitate more efficient knowledge sharing and cooperation and add further credibility to audit reports of SAIs.

The authority of the ISSAIs is defined in ISSAI 100,
which also explains what it means to comply with the ISSAIs

The new Fundamental Auditing Principles provide a common professional base for SAI's audits. The section "Purpose and Authority of the ISSAIs" in ISSAI 100 explains the authority of the Fundamental Auditing Principles. The purpose of the section is to clarify what it means to comply with the ISSAIs and to explain how SAIs can make reference to them, thus providing a means of indicating implementation of the ISSAIs. This information has not previously been a part of the ISSAI framework.

ISSAI 100 recognises that SAIs conduct their audits according to different national, regional, or international auditing standards. Each INTOSAI member is encouraged to define its own auditing standards on the basis of the principles and its mandate. The principles can be used as a basis for developing authoritative standards in three ways: To form a basis on which standards are developed by a SAI, to form a basis on which consistent national standards are adopted or to form the basis for adoption of the General Auditing Guidelines (ISSAIs 1000-4999) as standards.

Depending on the SAI's choice, the ISSAIs can be referred to in two principal ways:
1. audit reports may state that the audit was conducted in accordance with a national standard based on or consistent with the ISSAI Fundamental Auditing Principles
2. audit reports may state that the audit was conducted in accordance with the ISSAIs. In the latter case, the auditing guidelines on level 4 for financial, performance, or compliance auditing are applied as the authoritative standards.

By providing these two options, ISSAI 100 provides a high degree of flexibility whereby each SAI can define its own approach and use the standards relevant within its context and mandate.

SAIs should declare the standards applied in the conducting of audits and this declaration should be accessible to users of the SAI's report. SAIs are encouraged to declare which standards they applied in the conducting of audits in their audit reports, however, a more general form of communication may be used.

New drafting conventions will guide the revision of the auditing guidelines on level 4 of the ISSAI framework (ISSAIs 1000-5999)

The new Fundamental Auditing Principles have an impact on the future revisions of level 4 of the ISSAI framework – both for the general auditing guidelines (1000-4999) and the guidelines on specific subjects (5000-5999). To ensure that the harmonisation continues on level 4 of the framework, the project group has developed a set of drafting conventions that should be applied to the text of all guidelines on level 4.

The purpose of the drafting conventions is to ensure uniform use of concepts and writing style throughout level 3 and 4. The drafting conventions guide, to whom the ISSAIs should be directed at and what the purpose of the guidance of the audit is. This is to ensure that the guidelines on level 4 are in compliance with the definition of level 4 in the ISSAI framework, which states that the ISSAIs on level 4 provide specific, detailed and operational guidance that can be used by the auditor on a daily basis in the conduct of auditing tasks. The drafting conventions also highlight that the guidelines on level 4 should support the general requirements defined on level 3 of the framework, and that the guidelines on level 4 should distinguish between requirements that are mandatory and further guidance that is included in the guideline for further explanation or elaboration of the requirement.

The drafting conventions are presented to the PSC Steering Committee in a separate document.

B. The continued improvement of the full set of ISSAIs

The endorsement of the new ISSAIs 100-400 will have implications for the continued maintenance and improvement of the auditing guidelines on level 4 of the ISSAI framework. It will be for the PSC Steering Committee and subcommittees to consider how these implications can best be included in the Committee's and subcommittee's work plans for 2014-2016 and 2017-2019. These implications include:
- Editorial consequences for the auditing guidelines on level 4 (ISSAIs 1000-4999)
- New opportunities for more operational auditing guidelines on level 4 (ISSAIs 1000-4999)
- The development of the General Auditing Guidelines towards a clearer set of auditing standards
- An accentuation of the cooperation between the Professional Standards Committee and the Knowledge Sharing Committee in improving the auditing guidelines

Editorial consequences for the auditing guidelines at level 4 (ISSAIs 1000-4999)

In the approved project proposal, it was assumed that it would be necessary to make editorial corrections to the auditing guidelines on level 4 after the new fundamental principles were finalised. Since the new Fundamental Auditing Principles set out a harmonised set of concepts and principles for public sector auditing, it is the project group's assessment, that the auditing guidelines on level 4 of the framework should be aligned with this established terminology. At the same time, it will be necessary to make corrections to the auditing guidelines where they refer to the fundamental principles and update cross-references between the auditing guidelines.

The extent of revisions needed of the ISSAIs on level 4, may have to be clarified as part of the next maintenance review of level 4 required by the Due Process. For the financial auditing guidelines the next review is due after 2013, for the performance auditing guidelines the next review is due by 2014 and for the compliance auditing guidelines by 2016.

New opportunities for more operational auditing guidelines on level 4 (ISSAIs 1000-4999)

According to INTOSAI's decisions on the ISSAI framework the purpose of the auditing guidelines on level 4 is to translate the Fundamental Auditing Principles into more specific, detailed and operational guidance that can be used by the auditor on a daily basis in the conduct of auditing tasks. The purpose of the guidelines is to provide a basis for the standards and manuals on public sector auditing that may be applied by the individual members of INTOSAI. Each guideline has a defined scope of application and may be adopted in full or adapted as necessary to reflect the individual circumstances of the jurisdiction.

When the existing performance and compliance auditing guidelines on level 4 were developed, references to performance and compliance auditing on level 3 were limited. The endorsement of ISSAI 3000 in 2004 and of ISSAI 3100 and ISSAI 4000-4200 in 2010, was therefore ground-breaking achievements, which established performance and compliance auditing as two types of public sector auditing. Each of these ISSAIs reflects a diversity of views and practices within the INTOSAI community with regard to the different ways performance and compliance audits are conducted.

The new Fundamental Auditing Principles create an opportunity to develop the performance and compliance auditing guidelines towards a series of more focused and more operational guidelines. The principles provide a generic description of different activities of the audit process, which can be drawn upon in the future development of guidelines.

The new Fundamental Auditing Principles also provide the elements of public sector auditing and the further concepts and principles, which can be used to distinguish between different aspects or types of compliance and performance auditing. The most general description of performance and compliance auditing and their different forms is now provided on level 3.

In the coming years it will therefore be for the PSC and its subcommittees to explore and decide on whether and how such more focused guidelines can be developed. Reinforced coordination will be needed in order to maintain and improve the consistency achieved in the ISSAIs.

The development of the General Auditing Guidelines towards an improved set of auditing standards

The new ISSAIs 100, 200, 300 and 400 allow SAIs to adopt the General Auditing Guidelines (ISSAIs 1000-4999) as their auditing standards and refer to the ISSAIs in the audit reports, if they wish to do so. To some extent this is already an established practice within the INTOSAI community and is well in line with the decisions of INCOSAI in 2007 in 2010 on the ISSAIs. However, many SAIs will also prefer to adopt or develop other national standards based on the Fundamental Auditing Principles. For these SAIs the General Auditing Guidelines will continue to serve the wide range of other purposes, which the PSC identified through its Survey in 2007, before the guidelines were developed and endorsed. The drafting conventions proposed by the project group provide practical solutions on how texts on level 4 can serve these various purposes.

The Fundamental Auditing Principles provide an important basis for the development of the ISSAIs on level 4 in much the same way as they provide the basis for the development of auditing standards by the individual SAIs. The guidelines on level 4 should therefore support the general requirements defined on level 3 of the framework and the guidelines on level 4 should distinguish between requirements to the audit and any further guidance provided.

It will be an important and demanding challenge for the INTOSAI community to develop the guidelines towards an improved and more generally recognized set of auditing standards in the coming years. It will require the time, resources and processes necessary to achieve a result of high quality and wide support within INTOSAI. It will be for the PSC and its subcommittees to consider how this work can best be organized and planned in the future.

The Professional Standards Committee and the Knowledge Sharing Committee should work together towards improving the auditing guidelines

The responsibility for the ISSAIs on level 4 is currently split between the subcommittees in the Professional Standards Committees (for ISSAIs 1000-4999) and the subcommittees in the Knowledge Sharing Committee (for ISSAIs 5000-5999). This split is recognized in INTOSAI's Strategic Plan 2010-2016. The mandate of the project group includes considering

the extent to which the Specific Auditing Guidelines (ISSAIs 5000-5999) can be aligned with ISSAIs 100-4999 and the general ISSAI terminology

The project group has especially considered the situation of SAIs that have adopted the General Auditing Guidelines (ISSAIs 1000-4999) as their authoritative standards and state in their audit reports that the audit has been conducted in accordance with the ISSAIs. In this case the ISSAIs developed by the KSC do not only provide valuable guidance on specific subject matters but may to some extent also influence the perceptions of the users of audit reports as well as the general recognition of the ISSAIs in the national environment.

With the proposals made in the ISSAIs 100, 200, 300 and 400 and in the drafting conventions for level 4 the project group has aimed to provide the best possible solution for these SAIs at the current stage of development. However it seems only natural that the implementation of the drafting conventions and the further development of ISSAIs on level 4 of the framework should involve close cooperation between the PSC and the KSC. It will be for the PSC and KSC Steering Committees and subcommittees of the PSC and the KSC to consider, how this work can best be organised and decide how the new opportunities created by the revised Fundamental Auditing Principles can be explored.

C. The project group's work

The new ISSAIs were developed by the ISSAI Harmonisation Project group in the period from March 2011 to November 2012. The project group had particular focus on ensuring that the new revised ISSAIs should reflect the special role and functions of SAIs and that they should be useful to all members of INTOSAI.

It was significant for this project that it brought together auditing specialists from all parts of the world as well as from all three types of auditing - financial, performance and compliance auditing. One of the lessons learned from the Harmonisation Project is, that developing high-level and high quality standards that encapsulate the essence of public sector auditing requires a lot of resources, both in terms of man hours and in terms of participation of experts with previous experience in developing and writing standards. In total we carefully estimate that around 2000 working days have been used.

All costs of the project were covered by the participating SAIs. Based on reactions from project group members it is the Project Chair's overall assessment that the amount of resources and work being contributed by the project group members verged on the limit of what can reasonably be expected from SAIs' voluntary contribution.

It has been a major task to make the ISSAIs work as a package and develop common principles for public sector auditing that also takes the differences of the three fields of auditing into account. The amount of resources used may not be directly reflected in the number of pages, but is reflected in the underlying discussions, hearings etc. to reach the final result. The group has been very ambitious in wanting to create a high quality product.

Thirteen SAIs participated in the project group. In addition to the chair (Denmark) it included members from FAS (Sweden, UK, USA), PAS (Brazil, Sweden, Austria) and CAS (Norway, European Court of Auditors, Slovakia) as well as INTOSAI's Chair (South Africa) and 1. Vice Chair (China) and the Chairs of the Knowledge Sharing Committee (India) and the Task Force on SAI's Information Database (Mexico).

The project group held five meetings for all members (Copenhagen, Denmark; Washington, USA; Copenhagen; Mexico City, Mexico and Chandigarh, India) with a total of 18 working days. In addition to this, a number of drafting group meetings and meetings of other subgroups were held in-between meetings of the full project group. Between meetings the project group worked extensively through e-mail correspondence and phone. In addition to these project group activities, the drafts produced by the drafting group were discussed at meetings and through written consultation in the subcommittees FAS, PAS and CAS

The work of the project was extensively discussed at two meetings of the PSC Steering Committee (Wellington 2011, Johannesburg 2012).

A great effort was made to clarify the way the different types of auditing are described in the ISSAIs in order to provide a common international set of concepts and principles for public sector auditing. This was very challenging at times, but it proved also to be the strength of the project, and it raised the level of quality of the four new ISSAIs considerably.

Annex A:
The approved mandate and project proposal

Extract from the PSC's mandate as approved by XX INCOSAI in 2010:

In light of the results achieved in 2007-2010 the PSC will in 2011-2013:

- Harmonise the present collection of ISSAIs, and thereby ensure the consistency of the ISSAI Framework.

[…]
The existence of a 4 level framework with a comprehensive set of ISSAIs and INTOSAI GOVs in November 2010 allows the PSC to move on to the next challenge: To develop the present collection of ISSAIs that have been developed over a long time span by a range of different Working Groups, Task Forces and Subcommittees, into a truly coherent set of standards. This work will be conducted within the Harmonisation Project.

The purpose of the Harmonisation Project is to provide a conceptual basis for public sector auditing and ensure consistency in the ISSAI framework. Therefore the Harmonisation Project will focus on revising and developing the Fundamental Auditing Principles on level 3 in the ISSAI Framework, which will provide consistency throughout the Framework. The numbering and timing of the different draft ISSAIs will be addressed by the project group and agreed upon by the PSC Steering Committee, and the project will be carried out in accordance with the due process for developing, revising and withdrawing ISSAIs and INTOSAI GOVs.

The Harmonisation Project proposal has been approved by the PSC Steering Committee at its meeting in Copenhagen 5-7 May 2010 and a project group will be established to complete the project by 2013.

Approved project proposal:

Harmonization of the International Standards of Supreme Audit Institutions - Revision of the Fundamental Auditing Principles

The project proposal has been elaborated and agreed upon by the Chairs of the PSC Sub-committees on Financial Audit, Compliance Audit, Performance Audit and the PSC Chair. Emphasis has also been put on input from the initial assessment and the regional representatives of the PSC Steering Committee.

1. Purpose and scope of the project
The purpose of this project is to provide a conceptual basis for public sector auditing and en-sure consistency in the ISSAI framework.

The project has the following goals:

Goal A: Revise the ISSAI 100-999 Fundamental Auditing Principles, in order to ensure that:
- they describe the general role and auditing function of a SAI and are relevant and useful for all members of INTOSAI;
- they provide overview and further references to the full set of ISSAIs where more operational guidance is provided;

- they provide a consistent set of concepts and an improved link between IS-SAI 1 The Lima Declaration and the new set of comprehensive guidelines that are launched in 2010

Goal B: Make the limited editorial changes in ISSAIs 10-99 which are necessary in order to carry the revision of ISSAIs 100-999 through and improve consistency between the two levels of documents.

Goal C: Ensure alignment between the ISSAI 1000-4999 Implementation Guidelines and the new set of ISSAIs 100-999 Fundamental Auditing Principles. The alignment includes:
- consolidating the terminology of the full set of ISSAIs 100-4999 in accordance with a general glossary for the ISSAI Framework and ensure updated cross-references between the different ISSAIs;
- considering the extent to which there is a need to make further amendments in the ISSAI 1000-4999 guidelines as a consequence of new ISSAIs 100-999 Fundamental Auditing Principles, e.g. in areas where text is moved from the guidelines to the principles, or where unintended differences between the different sets of guidelines exist.

Goal D: Consider the extent to which the ISSAI 5000-5999 Specific Guidelines can be aligned with the ISSAI 100-4999 and the general ISSAI terminology established under goal C.
The scope of the project is the guidance on auditing provided by the ISSAIs.

This does not include:
- the further overlaps and inconsistencies which may exist between the differ-ent documents at level 2 ISSAIs 10-99;
- harmonization of the INTOSAI GOVs or between the INTOSAI GOVs and the ISSAIs.

2. Background
INTOSAI's Framework for Professional Standards was established by an INTOSAI official document approved by INCOSAI in 2007. By this decision a range of different documents that had been approved by INCOSAI in the past many years were classified into four levels and systematically numbered. All documents relevant for auditing were collected into one set of standards – The International Standards of Supreme Audit Institutions (ISSAI).

In the six years leading up to INCOSAI 2010, the PSC has filled the Framework with further documents in areas, where no guidance existed or the existing guidance was considered in-sufficient by the PSC Steering Committee and the PSC Subcommittees.

By 2010 the PSC's accomplishments will include achievement of its goal to provide a comprehensive set of practical guidelines at level 4 of the ISSAI Framework:
- FAS has developed a full set of ISSAI 1000-1999 Financial Auditing Guidelines, that provide practice notes to the International Standards on Auditing issued by IFAC.
- PAS has supplemented the existing guidelines with a new ISSAI 3100 with improved guidance on performance auditing.
- CAS has provided a full new set of ISSAI 4000-4999 Compliance Auditing Guidelines establishing compliance auditing as the third branch of auditing

This will allow the PSC to move on to the next challenge: To develop the present collection of ISSAIs, which have been developed over a long time span by a range of different workings groups, task forces and subcommittees, into a truly coherent set of standards.

3. Planned ISSAIs

The planned deliveries may be changed by the project group during the project with approval of the PSC Steering Committee. Deliveries include the following:

ISSAI 100-series – Basic concepts:
- Purpose of the ISSAI framework.
- The objective of public sector auditing [terminology from the mapping].
- The role and function of SAIs [terminology from the mapping and the work on "Value and benefits of SAIs"].
- Authority of the ISSAI framework:
    - o   The ISSAIs are not mandatory.
    - o   What does it mean to state compliance?
    - o   How do we refer to the ISSAIs?
- Considerations for judicial role [terminology from CAS].
- Basic concepts: assurance, materiality, assertion based and direct reporting, audit criteria, subject matter, risk assessment, using the work of others [the meaning of the different concepts will depend on the nature of the auditing task].
- Basic structure of audit processes [depending on the audit conclusion]:
    - o   Reporting and communicating our findings.
- The three areas of auditing and different ways of combining them [briefly relate the terms to the concepts used in ISSAI 1 The Lima Declaration].

ISSAI 200 Financial Auditing
Overview
These will be based on ISSAIs 1000 – 2999.

ISSAI 300 Performance Auditing
Overview
These will be based on ISSAIs 3000 – 3999.

ISSAI 400 Compliance Auditing
Overview
These will be based on ISSAIs 4000-4999.

The PSC Subcommittees will consider making editorial changes in the ISSAIs 1000-4999 in order to establish the consolidated general ISSAI glossary as described under goal C.

In addition, the considerations provided for by goal D may result in changes in the ISSAI 5000-5999 Specific Guidelines. This will be the responsibility of the INTOSAI Knowledge Sharing and Knowledge Services Committee (KSC).

4. Organization and process
A project group is established in order to complete the project by 2013.
The group is chaired by Denmark in its capacity as PSC Chair and responsible for the ISSAI Framework. The group should include the following appointed members:

- At least 2 members from each of the three PSC Subcommittees that are responsible for implementation guidelines: FAS, PAS and CAS. We will strive for regional representation and for representation of various SAI models in this group.

The project group will consult representatives of INTOSAI as deemed necessary.

The numbering and timing of the different draft ISSAIs should be addressed by the project group and agreed upon by the PSC Steering Committee.

The project should be carried out in accordance with the due process for developing, revising and withdrawing ISSAIs and INTOSAI GOVs.

The project group will consider existing ISSAIs, the initial assessment made and other relevant standards in line with the dual approach.

Should the project group during the conduct of the project find that the planning, organization or key project directions need to be revised, it may at any time ask the PSC Steering Committee to take renewed decision.

5. Approval of this project proposal
This project proposal was approved by the PSC Steering Committee at its meeting in Copenhagen on 5-7 May 2010.

Annex B: The ISSAI Harmonisation Project Group

List of participants in the ISSAI Harmonisation Project Group's meetings 2010-2012

Mr. Kristoffer Blegvad	Project Chair, Senior Adviser	National Audit Office	**Denmark**
Ms. Ane Elmose	Senior Advisor	National Audit Office	**Denmark**
Mr. Rasmus Hyll Bruun	Adviser	National Audit Office	**Denmark**
Ms. Nanna Schnipper	Head of Section	National Audit Office	**Denmark**
Mr. Norbert Weinrichter	Deputy Director	Court of Audit	**Austria**
Mr. Carlos Alberto Sampaio de Freitas	Head of Unit	Court of Audit	**Brazil**
Ms. Gloria Maria Merola da Costa Bastos	Director	Court of Audit	**Brazil**
Mr. CHEN Yu	Deputy Director	National Audit Office	**China**
Mr. LIU Shaotong	Deputy Director General (ex-staff)	National Audit Office	**China**
Mr. LUO Quan	Director	National Audit Office	**China**
Mr. Manfred Kraff	Director	European Court of Auditors	**European Union**
Mr. Niels-Erik Brokopp	Head of Unit	European Court of Auditors	**European Union**
Ms Anna Baya Ramoun		European Court of Auditors	**European Union**
Mr. L. V. Sudhir Kumar	Director General	Office of the Comptroller General	**India**
Ms. Meenakshi Gupta	Director General	Office of the Comptroller General	**India**
Ms. Meenakshi Sharma		Office of the Comptroller General	**India**
Mr. Juan Javier Pérez Saavedra	Deputy Auditor General	Superior Audit Office	**Mexico**
Mr. Benjamin Fuentes Castro	International Liaison Officer	Superior Audit Office	**Mexico**
Mr. Erwin Ramírez Flores	Director of International Relations	Superior Audit Office	**Mexico**
Mr. Fernando Cervantes Flores	Director General	Superior Audit Office	**Mexico**
Ms. Mona Paulsrud	Head of CAS Secretariat	Office of the Auditor General	**Norway**
Ms. Ulrike Schroeter-Skaug	Deputy Director General	Office of the Auditor General	**Norway**
Ms. María Kysuckâ		Supreme Audit Office	**Slovakia**
Ms. Shelmadene Petzer	Deputy Business Executive	Office of the Auditor General	**South Africa**
Mr. Jonas Hällström	Director	National Audit Office	**Sweden**
Mr. Tony Angleryd	Senior Advisor	National Audit Office	**Sweden**
Mr. Iain Johnston	International Relations Manager	National Audit Office	**United Kingdom**
Ms. Janette Franzel	Managing Director	Government Accountability Office	**USA**
Ms. Beryl H. Davis	Director, Financial Management and Assurance	Government Accountability Office	**USA**
Ms. Marcia Buchanan	Assistant Director	Government Accountability Office	**USA**
Ms. Heather I. Keister	Assistant Director, Financial Management and Assurance	Government Accountability Office	**USA**
Ms. Gail Vallieres	Assistant Director General	Government Accountability Office	**USA**

Annex C:
Milestones in the development of the Fundamental Auditing Principles

2004

XIIX INCOSAI in Budapest (Hungary)
The INTOSAI Strategic Plan 2004-2010 is launched. Goal 1 of the plan - 'Accountability and Professional Standards' - is to ensure that INTOSAI can provide an up- to-date framework of professional standards that is relevant to the needs of its members.

2005

PSC Steering Committee meeting Oslo (Norway)
The inaugural meeting of the Steering Committee. First discussion on the framework of professional standards.

2006

PSC Steering Committee meeting Washington D.C. (USA)
Discussions and decisions on the Framework of Professional Standards. The names ISSAI and INTOSAI GOVs are agreed on. The text of the INTOSAI Auditing Standards from 1992 is included at level 3 in the Framework. However the name of level 3 is changed by the Steering Committee from 'Auditing Standards' to '*Fundamental Auditing Principles (ISSAI 100-999)*'. This reflects that the content of level 3 is likely to evolve over time and that efforts to improve on the framework as well as the individual documents will continue with a renewed mandate after 2007.

PSC Steering Committee meeting in Yaounde (Cameroon)
Development of a survey on the needs and priorities of Supreme Audit Institutions (SAI) in the future development of professional standards.

2007

PSC Steering Committee meeting in Manama (Bahrain)
Discussion on the PSC's mandate 2007-2010 based on the survey results. 3/4 of all SAIs use INTOSAI Auditing Standards - often in combination with other standards. There is widespread consensus that there are differences between public and private sector auditing and almost all SAIs find that there is a need for further INTOSAI guidance. The PSC decides to fill in the ISSAI Framework with new guidelines and provide a first comprehensive set of ISSAIs by 2010.

XIX INCOSAI and PSC and Governing Board meetings in Mexico City (Mexico)
Endorsement of the Framework for Professional Standards and launch of the new names International Standards of Supreme Auditing Institutions (ISSAI) and INTOSAI Guidance on Good Governance (INTOSAI GOV). Level 3 of the Framework (ISSAI 100-999) contain the fundamental principles for carrying out audits of public entities. Level 4 (ISSAI 1000-5999) provide auditing guidelines that translate the fundamental auditing principles into more specific, detailed and operational guidelines that can be used on a daily basis for auditing tasks. The decision states that the Fundamental Auditing Principles (ISSAI 100-999) presently consist of the INTOSAI Auditing Standards. To underline the importance of these

standards and allow for flexibility in the future development, each of the 4 chapters is given its own ISSAI-number.

2008

PSC Steering Committee meeting in Beijing (China)
Decision to develop a due process for developing, revising and withdrawing INTOSAI Professional Standards.

2009

PSC Steering Committee meeting in Brasilia (Brazil)
Theme discussion on consistency in the ISSAIs. Decision to revise the Fundamental Auditing Principles and agreement on a set of initial directions for the revision. In preparation of the project, representatives from INTOSAI's Regional Working Groups should carry out a mapping of mandates. Based on this the chairs of PSC, FAS, PAS and CAS should elaborate a project proposal.

INTOSAI Governing Board meeting, Cape Town (South Africa)
Decision on the Due process for INTOSAI Professional Standards. The PSC presents its plans to launch a project on ISSAI Harmonisation that should revise the Fundamental Auditing Principles and improve consistency in the ISSAIs.

2010

Meeting of the PSC representatives of INTOSAI's Regional Working Groups in Brussels (Belgium)
Elaboration of the report 'The auditing function of Supreme Audit Institutions - A systematic mapping of the auditing assignments of 31 selected Supreme Audit Institutions across the regions of INTOSAI '. The regional working groups agree on a set of recommendations on the future Fundamental Auditing Principles.

PSC Steering Committee meeting in Copenhagen (Denmark)
The joint project proposal from the chairs of the PSC, FAS, PAS and CAS is approved in line with proposed new Due Process for INTOSAI Professional Standards. The project is named 'Harmonisation of ISSAIs – Revision of the Fundamental Auditing Principles' (The ISSAI harmonisation project).

XX INCOSAI and PSC and Governing Board meetings in Johannesburg (South Africa)
Launch of the first comprehensive set of ISSAIs and the new due process for INTOSAI professional standards. In the South Africa Declaration INTOSAI calls upon its members to use the ISSAI framework as a common frame of reference for public sector auditing; measure their own performance and auditing guidance against the ISSAIs; and implement the ISSAIs in accordance with their mandate and national legislation. At the same time INCOSAI mandates the PSC to move to the next challenge: To develop the present collection of ISSAIs into a truly coherent set of standards. By 2013 the ISSAI harmonization project should result in a revised set of fundamental auditing principles.

2011

First ISSAI Harmonisation project group meeting in Copenhagen (Denmark)
The project group started its work on the basis of the existing text of level 3 (The old INTOSAI Auditing Standards) as well as the guidelines on level 4 endorsed in 2010. A drafting group is established for each of the 4 planned drafts ISSAI 100, 200, 300 and 400.

PSC Steering Committee meeting in Wellington (New Zealand)
Discussion on a first draft for ISSAI 100 Fundamental Principles of Public Sector Auditing and initial outlines of ISSAI 200, 300 and 400. The Steering Committee develops an overall introduction to the ISSAI Framework in order to clarify the purpose and authority of the ISSAIs at each level.

Meetings in PSC's subcommittee for financial auditing in Washington D.C. (USA) and compliance auditing in Tbilisi (Georgia)
Discussions on the draft ISSAIs 200 on financial auditing and draft ISSAIs 400 on compliance auditing. The draft ISSAI 300 on performance auditing was commented on in written by members of the PSC performance audit subcommittee.

INTOSAI Governing Board meeting in Vienna (Austria)
Report on progress within the first year of the project.

Second ISSAI Harmonisation project group meeting in Washington D.C. (USA)
The project group discuss and compare the drafts ISSAI 100, 200, 300 and 400. Cross-cutting issues are discussed including the authority of the 4 new ISSAIs on level 3 and references to the ISSAIs in audit reports.

2012

Meetings in the ISSAI 100 drafting group in London (UK) and the PSC's subcommittee for performance auditing in Vienna (Austria)
Further development of the draft ISSAIs 100 Fundamental Principles of Public Sector Auditing and the ISSAI 300 Fundamental Principles of Performance Auditing.

Third ISSAI Harmonisation project group meeting in Copenhagen (Denmark)
The project group finalise the exposure draft ISSAI 100 Fundamental Principles of Public Sector Auditing based on comments from the PSC Steering Committee. The draft ISSAI 300 is also finalised for presentation to PSC Steering Committee.

PSC Steering Committee meeting in Johannesburg (South Africa)
The draft ISSAI 100 and 300 approved with a number of comments to be included in the exposure drafts.

30 August 2012 - The first two exposure drafts, ISSAIs 100 and 300, are published on www.issai.org and sent around to all INTOSAI members for comments.

Meetings in PSC's subcommittee for compliance auditing in Vilnius (Lithuania) and financial auditing in Stokholm (Sweden)
Elaboration on the draft ISSAIs 400 on compliance auditing and 200 on financial auditing.

Fourth ISSAI Harmonisation project group meeting in Mexico City (Mexico)
Finalisation of the draft ISSAIs 200 and 400. The drafts are subsequently approved by the PSC Steering Committee.

14 November 2012 – Start of the exposure period. Exposure drafts ISSAI 100, 200, 300 and 400 are all published on the www.issai.org and sent to INTOSAI members and other interested parties

INTOSAI Governing Board meeting in Chengdu (China)
The Governing Board welcomes the 4 exposure draft ISSAIs and encourages all INTOSAI members to provide their comments before 15 February 2013.

2013

15 February 2013 – End of the exposure period

Preparation group meeting in Copenhagen (Denmark)
Some members of the project group meet in Copenhagen to consider the comments to the exposure versions and prepare the full project group's meeting in Chandigarh

Final ISSAI Harmonisation project group meeting in Chandigarh (India)
The proposed endorsement versions of ISSAIs 100, 200, 300 and 400 are finalised. The project group also decides on a proposed set of drafting conventions for auditing guidelines.

Planned:

PSC Steering Committee meeting in Stockholm (Sweden)
The PSC Steering Committee's approval of endorsement versions of ISSAIs 100, 200, 300 and 400.

XXI INCOSAI and Governing Board meeting in Beijing (China)
The ISSAIs 100, 200, 300 and 400 are to be presented for endorsement by INCOSAI

Proposal:
Drafting conventions for Auditing Guidelines

Proposal: Drafting conventions for Auditing Guidelines

The project group proposes that the PSC Steering Committee decides on a set of ISSAI drafting conventions which should take effect from November 2013.

It will be the aim of the ongoing process of ISSAI maintenance after 2013 to ensure that the drafting conventions are applied to the text of all auditing guidelines (ISSAI 1000-5999). The ISSAIs are subject to maintenance reviews at regular intervals. The next review for each ISSAI is announced on www.issai.dk. The needs for any revisions in order to comply with the drafting conventions are to be considered in connection with these reviews.

The proposed drafting conventions

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1. These drafting conventions apply to the following ISSAIs at level 4 of the ISSAI Framework:

a) The General Auditing Guidelines (ISSAI 1000-4999). These guidelines contain the recommended requirements of financial, performance and compliance auditing and provide further guidance to the auditor. The ISSAI 1200-1810 contain the International Standards on Auditing issued by IFAC and the additional public sector considerations developed by INTOSAI. The drafting conventions should therefore only be applied to the ISSAIs 1200-1810 to the extent it is relevant and appropriate.

b) The Guidelines on specific subjects (ISSAI 5000-5999). These provide supplementary guidance on specific subject matters or other important issues which may require the special attention of Supreme Audit Institutions.

Only exposure drafts and endorsement versions that are fully in line with these drafting conventions may be submitted for approval by the Steering Committee as provided for by the Due Process.

2. The ISSAI should be directed to the auditors and provide guidance for the conducting of audits:

a) The ISSAI should use the term **'the auditor'** and define what can be expected from the auditor. Where it is relevant – e.g. where institutional issues are involved - reference may also be made to 'the SAI'.

b) The ISSAI may **not** provide any guidance on what can be expected from the legislators or administrative authorities or advice on how the aims of public authorities can best be achieved. Such guidance and advice may instead be communicated through other means – e.g. an INTOSAI GOV.

c) The ISSAIs at level 4 may **not** provide any guidance on what types of audits, SAIs or other auditors should be mandated to carry out (such guidance may be found at level 1 and 2 of the ISSAI framework)
(Cf. INCOSAI's decision from 2007 on the establishment of the ISSAI framework)

3. It should be easy for auditors to assess whether the ISSAI applies to the audit task at hand:

a) The ISSAI should include a section in the beginning of the document entitled **'Scope of this ISSAI'** which should clearly identify the types of audits, or combinations thereof, which it applies to.

b) The types of audits that fall within the scope of the ISSAI should be identified by using the concepts of financial, performance and compliance auditing as well as the further distinctions between different approaches, objectives and further distinctions defined by the Fundamental Auditing Principles. If relevant the section may further specify the specific circumstances under which the ISSAI applies or do not apply.

c) <u>For guidelines on specific subjects (ISSAI 5000-5999):</u> The section 'Scope of this ISSAI' should also describe the subject matters that define the scope of the ISSAI.

d) <u>For General Auditing Guidelines (ISSAI 1000-4999):</u> The scope of the ISSAI should not overlap with the scope of any other ISSAI in the set of General Auditing Guidelines (ISSAI 1000-4999). The set of General Auditing Guidelines (ISSAI 1000-4999) do not necessarily cover all possible audits provided for by the Fundamental Auditing Principles. The ISSAI should reflect that an audit may combine different objectives and may therefore require the auditor to apply two or more ISSAIs in conjunction or observe further requirements that are not established by the ISSAIs. The ISSAI may contain the relevant cross-references to other ISSAIs in order facilitate their joint application.

4. The ISSAI should support the general requirements which are defined by level 3 of the ISSAI framework – The fundamental auditing principles (ISSAI 100-999):

a) The ISSAI should **refer** to the relevant principles and requirements in the fundamental auditing principles and elaborate further on these by providing the more operational guidance relevant for the types of audits covered by the ISSAI. In the fundamental auditing principles (ISSAI 100-999) the main content of each principle is highlighted in bold and the word 'should' is used to express the requirements that audits can generally be expected to live up to. Reference to principles can for example be made by quoting the statements highlighted with bold.

b) The ISSAI should avoid any statements that contradict the prerequisites for the functioning of SAIs (ISSAI 10-99) or the fundamental auditing principles (ISSAI 100-999). The ISSAI should not cover matters dealt with in the prerequisites for the functioning of SAIs (ISSAI 10-99), but may contain references to these where appropriate.

c) The ISSAI should use the same terminology as the fundamental auditing principles (ISSAI 100-999). Additional terms or concepts may be introduced in order to deal with matters that are not addressed in the principles.

5. The ISSAI should distinguish between requirements and further guidance:

a) The fundamental auditing principles (ISSAI 100-999) defines the different options for SAIs on how the ISSAIs can be used and how references can be made to the ISSAIs. The distinction between requirements and further guidance is relevant for SAIs that have chosen to adopt the General Auditing Guidelines (ISSAI 1000-4999) as their authoritative standard. In this case the auditor should

determine the financial, performance and compliance audit guidelines that apply to the audit and comply with all relevant requirements (cf. ISSAI 100/xx-xx).

b) <u>For General Auditing Guidelines (ISSAI 1000-4999):</u>
- The ISSAI should use the word **'shall'** to indicate that a sentence is to be understood as a requirement when the ISSAIs are used as the authoritative auditing standard (referred to in audit reports). 'Shall' statements will normally provide for aims that the auditor shall achieve or conditions the auditor shall consider (rather than specific actions the auditor shall take).
- The ISSAI should contain the following statement towards the end of the section 'Scope of this ISSAI':
  'In cases where the ISSAIs are used and referred to as the authoritative auditing standards, the auditor should determine the financial, performance and compliance audit guidelines (ISSAI 1000-4999) that apply to the audit and comply with all relevant requirements (cf. ISSAI 100/63-64). In this ISSAI the word 'shall' is used to provide such requirements'.
- The ISSAI should provide requirements ('shall' statements) that are sufficient for audits within the defined scope to ensure that the audits are conducted in accordance with the fundamental auditing principles. The ISSAI may also provide for additional or more detailed requirements. However, there may be ISSAIs within the set of general auditing guidelines that do not serve the purpose of providing such requirements. In this case the above statement in the section 'Scope of the ISSAI' is replaced by the following statement:
  '*This guideline provides [application material in relation to ISSAI xxx] and does not contain any further requirements to the conduct of audits'*

c) <u>For Guidelines on specific subjects (ISSAI 5000-5999):</u>
- The ISSAI cannot provide requirements for the audit and **may not** use the word 'shall' in a way that could be understood as providing such requirements.
- The following statement should be made towards the end of the section 'Scope of this ISSAI':
  '*This guideline provides supportive guidance in relation to [the financial/performance/compliance auditing guidelines (ISSAI xxx-xxx)] and does not contain any further requirements for the conducting of audits'*.

6. The common layout should be followed:

a) The template for ISSAIs should be used

b) References to other ISSAI's have the format ISSAI xxx/yy where xx is the ISSAI number and yy is the item-number. Cf. ISSAI classification principle 6