



## 2.5 Project Proposal

### Guidance on Auditing Internal Control

Paweł Banaś, NIK  
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### ICS perspective

- COSO 1992 – basis for INTOSAI GOV 9100 was updated in 2013
- Addressee
- Interesting approaches by IFAC and OECD
- Public interest – discussed by IIA IPPFOC
- Digital era



## Conceptual Phase

- Interested: NIK Poland, CdC France, TCA Turkey, GAO US, IIA Global
- Allies: EUROSAI ITWG projects
  - [Control space of e-government](#) – analysis of audit cases and recommendations based on machine NLP analysis
  - [Active IT Audit Manual](#) – a handbook changed into an audit tool, in line with idea of reducing overlaps and bureaucracy in auditing
- Ontologies

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## Title and Aim

- **As per SDP:** 2.5 Consolidated and improved guidance on understanding internal control in an audit
- **Working title:** Guidance on auditing internal control
- **Project aim:** Support auditing of internal control systems
  - through providing principles
  - that will base on common understanding
  - of internal control system in relation to risks

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## Objectives

- Support to identify, test and interpret internal control in an audit
- Fill in the 'What' Gap in the IFPP regarding internal control
- Dissemination of coherent understanding of internal control
- IC reviewing methodology
- Specificities of the FCP audits

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## C1 Stakeholders' Point

- Query among SAIs and Governments (2012):
  - COSO and INTOSAI GOV 9100 – despite all its value need:
    - good practices vs. bad ones
    - templates of reporting documents
    - practical examples in public administration
    - implementation tools

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## C1 Decision

- Strategic Development Plan for 2017-2019 approved by the INTOSAI Governing Board in November 2017
- Series of discussions on the scope, addressees and the position of the revised document in IFPP
- Conceptual works to make the document meet the actual needs
- Decision to rewrite the document into a GUID, and to add the auditor perspective 7



## C1 Need and Purpose

- Internal controls form the management's fabric:
  - internal control may differ in particular domains, but patterns are repeatable
  - audit methodology to be strengthened by systemic approach to internal control
- Internal control based approach to be examined for the whole audit life-cycle

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## Digitalization

- **Technology layer**  
Big data, artificial intelligence, machine learning – to start the list
- **Leadership layer**  
Strategy, scale, scope, capabilities and... threats
- **Data assets** should be integrated across a range of applications to maximize their impact (HBR, Jan-Feb 2020)

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## Data

- **Internal Control Ontology**
  - key terminology in interlinked structures
  - support in information sharing
  - machine-interpretable hierarchies and definitions
- **Applications** using the ontologies to maximize their effect
- **GUID**

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## C2-C3 Use

- Financial Audit
- Compliance Audit
- Performance Audit
- Integrated Audit
- Other engagements and analytical activities of SAIs
- Communication with auditees
- IT tools development

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## C4 Challenges

- Better communication with auditees regarding internal control will depend, to a large extent, on INTOSAI's ability to encourage Governments to use its guidance on IC
- National legal frameworks, which are currently based on INTOSAI GOV 9100, to be addressed

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## C5 Consistency with IFPP



- Central position of ISSAI 100
- Contact with:
  - other Subcommittees (invited to deeper involvement in the project)
  - Working Groups
  - PSC
  - FIPP

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## C6 Applying Non-INTOSAI Pronouncements



- COSO
- IIA
- CIPFA
- IFAC
- OECD
- + INTOSAI idiom

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## C7 Project Team

- ICS interested members
- FAAS, CAS, PAS invited
- EUROSAI ITWG tools used
- Open for the INTOSAI international allies
- Outline to be prepared in Phase 1

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## C8 Effect on Other INTOSAI Pronouncements

- GUIDs are **not obligatory**
- Can be selected **freely**, according to the **needs** and **requirements**

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## C9 Quality Process

- Project Team: Experienced Auditors
- Types of audit aspect: close cooperation with FAAS, CAS and PAS
- Recognized methodologies on IC consulted in search of uniform terminology
- IFPP Due Process to be applied
- Permanent contacts and consultations with FIPP, PSC Chair, and PSC SC

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## Milestones

	Start Date	End Date	Expected Time in Total
Project proposal	15 December 2019	1 March 2020	10 weeks
Exposure draft	June 2020	June 2023	3 years
Exposure period	September 2023	December 2023	3 months
Endorsement version	January 2024	March 2024	3 months
Final pronouncement, including translation into all official INTOSAI languages*	June 2024	January 2025	6 months

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