

SDP 2020-2022: COMPONENT 1

The purpose of the standards framework (IFPP), and how can the needs of different user groups be accommodated?

(a summary of views raised during the discussion session held on 23 November 2020)

Discussion sessions represent the second phase of the analysis carried out under the auspices of the PSC secretariat as part of Component 1 review. They build on the initial analysis and feedback provided by the INTOSAI standard setting community (phase one), aim to explore selected issues deeper, and provide input for the preparation of a survey to be addressed to all INTOSAI members (phase three).

The meeting – hosted and moderated by the PSC secretariat – was attended by interested members of the ISLO network, INTOSAI committees, their working bodies, and FIPP who had responded to the open invitation.

Executive summary of the points raised

INTOSAI is not a driving force in deciding how audit should be done, but a force in helping SAIs implement their mandates. In the same vein, the IFPP is a guide, rather than a constraint, and should not stifle creativity or prevent flexibility.

Users access the framework even if it is not easy to navigate through and is not well adapted to the needs of a wider set of users such as are SAI hierarchy, legislators and the media. It must be developed further, to become a better, useful and practical resource for daily use. This could also be achieved by removing the administrative difference between the hundred and thousand series ISSAIs (but ensuring the needs of SAIs either basing their standards on the ISSAIs or implementing them directly are satisfied).

The principles and standards should represent the core of the framework. We should avoid complications in the framework, remove duplicities and make it easier to use, even if we cannot satisfy the needs of every single user. It is not realistic to cover every type of activity in which SAIs are involved. The current framework provides all necessary elements, but may need to make that clearer.

All guidance regardless of its status is important and helps SAIs to adopt ISSAIs. Guidelines should not be mandatory and do not have to form part of the framework given the need for frequent updates to remain relevant. Pronouncements should not be written in the form of manuals, as this may also complicate compliance given the applicable legislation and mandate.

The question of satisfying varying needs of mature vs developing SAIs did not provoke any specific input, but a view was expressed that all SAIs face challenges regardless of their maturity or the environment in which they operate.

Rather than reflecting common acceptable practice, pronouncements should set the bar high enough to ensure high quality audits and therefore serve as an aspiration. This “minimum to be achieved” should be set by INTOSAI as the standard setter.

Is the IFPP intended to be an infrequently accessed reference framework, or a useful and practical resource?

Whilst a broadly recognised framework for public sector auditors, the IFPP is not used much as it is not so practical, which is a problem:

- guidelines are not easy to use;
- the usability and applicability of the framework depends to a great extent on the classification of pronouncements;
- interests of the wide set of users not taken into account (notably SAI hierarchy, the auditees and other stakeholders)
- In effect, currently probably more used to shape SAI methodology, develop manuals and benchmark compliance of nationally set practices.

IFPP is a framework primarily intended to help SAIs to develop their own manuals, standards, and serve as input for legislation.

The framework should be more user friendly and serve as a useful and accessible resource (for instance INTOSAI-Ps are used as reference documents by the media).

For the framework to be practical, we should consider principles and standards as “permanent files” and guidance as non-mandatory material, because the level of detail can lead to crowding-out. More guidance should be developed (e.g. on strategic planning, best practices in general, including when combining audit objectives).

There are many duplications in the hundred and thousand series pronouncements for auditing performance (ISSAIs 300 and 3000), which could possibly be merged.

Given the diversity of SAIs and specific national arrangements, we should distinguish between pronouncements serving as a basis for developing own standards, and those to be applied directly. Too much of standardisation, leading almost to a check-box approach, can be dangerous. On the contrary, it is natural that auditors use judgement in applying standards

The framework would be most useful if its contents were frequently revised, notably guidance to present best practice.

The IFPP should be a very useful and practical guide to both methodology departments and auditors. While our SAI benefits from a strong and detailed methodology, we often face complex practical scenarios, where we have to go back to the standards and find appropriate solutions within the parameters of what the standards allow. This happens in equal measure whether you are an auditor, a product champion (a dedicated technical person per business unit) or the technical division.

The AFROSAI-E the region has developed methodologies on behalf of the SAIs in the region (many do not have the luxury of a technical division or a QC unit), making them the prime users of the standards. From a practical point of view, the SAIs and their auditors often look at the standards for their resource needs, rather than just the regional methodology. In short – if the IFPP were not a frequently used practical resource, it would have failed in its purpose.

One respondent indicated that in their SAI, the use of standards in audit work could be split as 80 % standardised approach and 20 % creativity

Is the IFPP aimed at methodology departments, auditors or both? Do these major (potential) users have different requirements?

It should be primarily aimed at individual auditors, who in case of doubt can always consult their SAI’s methodologists.

It is aimed at both groups, although in different ways. For instance, guidelines are likely to be more frequently used by the auditors. GUIDS can be confusing if the reader is unaware of the way they are developed.

It is primarily aimed at methodology departments, as it is their responsibility to see how to implement the IFPP and ensure it is used in a uniform way.

Standards should be targeted at methodology departments, individual auditors, and SAI networks.

The general standards and principles might not primarily be a tool used by auditors on a daily basis. Instead the documents in the framework are rather meant to be interpreted, adapted to the local contexts and used to develop own manuals and routines. However, if a SAI has limited resources to develop their own handbook, the framework might also be used and applied as it is.

Some SAIs tend to develop manuals directly from the ISSAIs, which can be a problem as experience is needed to interpret them correctly. One needs to draw on one's own experience too. It is difficult to predict all possible contexts when setting standards. It may be difficult to achieve something different that we have today.

Should the content of the IFPP, as far as possible, reflect current practice, or does it establish an acceptable minimum? Who decides on the minimum?

What do developing SAIs need: dedicated (simplified) standards? simplify current standards? include dedicated country perspective to all material, where appropriate? more support?

Principles and standards should present the acceptable minimum, whilst non-mandatory guidance could refer to presenting current practice. It is important to get everyone on board and make them use the framework. More acceptance is needed, while leaving space for variations in application.

The ultimate objective is to set the bar high enough and make the requirements aspirational to carry out high quality audits and produce high quality reports. The standards should be comprehensive in terms of the requirements, and the IFPP should push the users to do more, better regardless of the difficult circumstances in which they may operate.

All SAIs needs high quality standards. It is important to avoid creating different standards for different SAIs depending on their stage of development. For SAIs operating in the most complex and challenging contexts, the challenges are rather about their ability to fully implement in the short term, given their capacity, resources and, at times, legal restraints. Actors such as INTOSAI, IDI, regional organisations, SAIs and donor organisations can work to facilitate the implementation of standards in these contexts. Implementation should be made step by step and be adapted to the local context.

The level should be set by the INTOSAI as standard setter, whoever the specific body may be.

Speaking of minimum requirements can be misleading, as it is unclear what the minimum is.

While it is important that one can recognise principles / requirements very clearly in the framework of standards, that is not enough, especially in a developing environments. Both the application guidance (matters that a SAI should consider in giving effect to a principle or requirement) and detailed practical guidance on application of the standards in specific circumstances or industries (like in the GUIDS) remain critical to assist SAIs to grow into full ISSAI adoption. In other words – without detail application guidance and detailed GUIDS, many SAIs may find it very difficult to adopt or fully comply with the framework.

Distinguishing between SAIs ad developing and mature is not advised – all SAIs face challenges.

Standards are the “common auditing language” and should represent the acceptable minimum level. The relevant INTOSAI committee should set this.

Principles represent the minimum to be, whilst standards the detail to be achieved. Standards for auditing performance and compliance should be developed further.

One participant indicated that for FA they cooperate with private external auditors, so they tend to apply the ISAs.

Should the IFPP cover every type of work a SAI may do, or is it more about the principles that should be applied whatever the mandate/objective/output?

The IFPP should not cover everything a SAI does.

It is unrealistic to cover everything SAIs do in their national context, and we should not have pronouncements in place for situations that only apply to few SAIs (e.g. auditing elections). The current coverage is sufficient.

As regards guidance, if some SAIs volunteer to prepare some on a specific issue, it should be explored to see how helpful it may be to the other SAIs, and whether or not to be covered by the framework.

The question is what should be in the framework, and what should be left out. Experience of one of the committee working bodies is that there are many possible practices, but not all can be usefully covered. The working body considers it its prerogative what to recommend or cover. One of the reasons is the time needed to complete the work, from expert discussions to quality control measures and due process, and the result up not being latest professional practice. If guidance was not in the framework, they would be easier to update.

The framework should be primarily useful for SAIs. This means it should not be kept at basic level, but aimed at a middle level.

Should the framework provide a ‘ready-made’ audit manual that can be taken over and applied directly?

Standards are not developed to be implemented as such, and much less as ready-made manuals. It is up to the SAI to develop instructions and manuals to reflect on national specificities.

Standards should not define if there should be specific PA, CA and/or FA department, or if the SAI organises itself differently.

Ready-made manual-style documents could save resources for SAIs developing them, and help achieve high quality of the result. However, they would of course still need to be tailored to the specific needs of the SAI. This would also represent a loss of flexibility.

New guidance should be developed on how to prepare audit manuals.

A participant experienced in capacity development indicated that such standardisation can be very difficult to achieve. Out of experience, no audit manual in the persons career has been the same, as it had to reflect on the specific needs of the assisted SAIs.

We do not think so! This would be taking the concept of detailed guidance too far and would also complicate matters for SAIs that have unique audit requirements from their enabling legislation / mandate. This would not be in line with the CBC's global profession, local solution theme.

It is pragmatic to leave manual development and labelling to the individual SAIs.

Developing manual-style standards is not reasonable because of the need of frequent updates.

What difference – if any – should there be between the hundred- and thousand-series ISSAIs?

We should avoid complications at different levels. For instance, there was consensus that no ISSAIs were needed for elaborating on the INTOSAI P 50. Instead, agreement was reached to develop guidance on how best to implement the principles.

While there are benefits in distinguishing between requirements in the hundred and thousand series, it is difficult to navigate through the maze of principles, standards, guidance etc. The logic is not always clearly delineated. Analysis of current framework shows how difficult it is. We need greater clarity to ensure coherence, and any change in the framework should have this as the driving principle.

We should provide pronouncements usable by every SAI, but also be pragmatic about how this works for every SAI. If we attempt to satisfy all users, we may not be successful. We now have a compromise, and the current framework is acceptable. If move to something else, we need clear priorities, a clear process and ensure that all the bodies concerned are aware how they will be required to implement.

The difference between the 100 and 1000 series ISSAI is driven by implementation considerations more than anything else. This is quite confusing, and we would rather see one set of standards, properly structured and clear where one clearly know what the principle / requirement is and what specific "hurdles" one needs to clear in applying these.

While the different levels within the framework probably make "academic sense" and were crafted in good faith, it makes the framework difficult to use. Auditors just want to know what to do, not to try and figure out an academic model, and then have to add extracts from different documents together to get a solution. To some degree this also speaks to some of the frustration of working groups in preparing documents for inclusion in the framework – too much time goes into figuring out where things belong and what the type of language is that is "ideal" at that level, while the actual ambition is just to address a need. Positioning and drafting conventions are important, but we are currently overdoing it.

The IASs combine principles and standards. It is important to avoid duplication between levels, but also find a balance to maintain the structure.

Concluding words by participants

Not all user groups can be accommodated.

The main purpose of the framework (and INTOSAI) is to **support SAIs and auditing** in the public sector. We should not forget that SAIs are independent bodies that decide what to implement.

INTOSAI is not a "driving force" but a force "helping" SAIs find their own way.