

Report on Goal 1

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Committee (PSC)



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MOTIONS TO THE GOVERNING BOARD

Based on the presentation by the Professional Standards Committee at the 70th Governing Board meeting in Graz and the following documents:

1. PSC Progress Report from PSC and its Subcommittees
2. PSC Report on the Implementation of the SDP 2017-2019
3. FIPP's Progress Report on the Implementation of the SDP 2017-2019
4. The Revised Strategic Development Plan for the IFPP
5. Calendar for the formulation of the SDP 2020 – 2022
6. PCS's revised Terms of Reference
7. Proposals for use of INTOSAI equity funds
8. Discussion paper on INTOSAI's standard setting process
9. Joint Statement from the PSC, CBC and KSC
10. Appointment of three new FIPP members by the chairs of the PSC, CBC and KSC
11. Creating a more strategic and agile INTOSAI - Introducing flexibility in endorsing pronouncements (presented by PSC, CBC and KSC)

The PSC requests the Governing Board to:

1. Take note of the Progress Report from PSC and its Subcommittees
2. Take note of the PSC Report on the Implementation of the SDP 2017-2019
3. Take note of the progress report on the implementation of the SDP 2017-2019 submitted by the FIPP
4. Endorse the revised Strategic Development Plan for the INTOSAI Framework of Professional Pronouncements (IFPP) 2017- 2019, as approved by the PSC Steering Committee
5. Take note of the proposed calendar for the formulation of the SDP 2020-2022, as approved by the PSC Steering Committee
6. Endorse the revised PSC Terms of Reference, as approved by the PSC Steering Committee
7. Approve the PSC proposals for use of the INTOSAI equity funds
8. Take note of the discussion paper on INTOSAI's standard-setting processes

The PSC, joined by CBC and KSC, requests the Governing Board to:

9. Endorse the appointment of the three new FIPP members as nominated by the three Goal Chairs
10. Endorse the interpretation that new (and revised) pronouncements are able to take effect after the Governing Board has referred them to the final endorsement by INCOSAI

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FOREWORD

The new INTOSAI Strategic Plan for the period of 2017-2022 stresses the relevance of systematically reviewing INTOSAI's performance as a means to have solid information to facilitate decision-making and better establish the Organization's long term strategies and plans. In order to do that, the Strategic Plan provides that the Goal Chairs lead the assessments of the progress towards the achievement of the plan's objectives, working in close cooperation with each other, their subcommittees and working groups, as well as with the General Secretariat.

In line with *"INTOSAI's commitment to assessing its own performance"* (Strategic Plan 2017-2022, page 35 - English version), the PSC Chair prepared two review reports on the activities carried out since the last INCOSAI in December 2016. The first report covers Goal 1 strategic objectives and related strategies, while the second one covers the Committee's activities related to INTOSAI's crosscutting priorities. In the reports, we present actions undertaken by the PSC Chair and Subcommittees, next steps planned, as well as risks involved in the implementation of strategies or actions. We also present indicators that, at this stage, are not measurable. However, they can still point to the qualitative results that we want to achieve in the context of Goal 1.

This new format is a significant departure from the usual way Goal Chairs report to the Governing Board, objectively presenting members with the most relevant information: that information directly linked to the achievement of INTOSAI's objectives. It is important to highlight that the kind of content that the reports address, as well as their format, were discussed and agreed on with the CBC and KSC Chairs, so that the Governing Board could access core information from the three main Committees in the same structured way. The common reporting structure was presented and discussed at the last PFAC meeting.

We would like to point out that at the moment that SAI Brazil and the European Court of Auditors took over as Chair and Vice-Chair of the INTOSAI Professional Standards Committee, the standard setting process in the organisation was going through significant changes. A new framework for professional pronouncements was introduced, the Forum for INTOSAI professional pronouncements was established, and a revised Due Process was put in place, which created a new overall planning instrument for standard setting – the Strategic Development Plan. In this context, the main challenge for the PSC in this period was to consolidate the implementation of the new structures and work processes. We hope that through this new reporting format we will be able to objectively show the work of the Committee and how our mandate is contributing to the overall achievement of INTOSAI's strategic goals.

Federal Court of Accounts – Brazil (Chair)

European Court of Auditors (Vice-Chair)

October, 2017

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Strategic objectives review (as at October 6th, 2017)

Key to progress indicator colours

	Initiatives / projects on schedule
	Initiatives / projects behind schedule
	Serious difficulties being experienced
	Not yet scheduled to start
	Initiatives / projects completed

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.1 Provide strong organizational framework to support INTOSAI's standard setting including a permanent standard setting board (the FIPP), a technical support function and independent advisory function.		Long-term development goals defined	<p><i>Progress to date:</i></p> <p>Finalize a paper about what means for the INTOSAI to be a standard setter to serve as a basis for discussions in the GB meeting.</p> <p><i>Key next steps:</i></p> <p>Bring new proposals or amend work plan according to input received.</p>
1.1 Provide strong organizational framework to support INTOSAI's standard setting including a permanent standard setting board (the FIPP), a technical support function and independent advisory function.	1. Develop and maintain the FIPP encompassing INTOSAI's expertise in standard setting function as a standard setting board for INTOSAI's Framework of Professional Pronouncements and represent the broad views of INTOSAI's members on standards-setting issues.	FIPP operational	<p><i>Progress to date:</i></p> <p>Decide on FIPP member mandates (PSC, with other Goal Chair)</p> <p>FIPP Governance mechanisms approved by PSC-SC (PSC ToR).</p> <p><i>Key next steps:</i></p> <p>Finalize selection of new members (PSC Chair, with other Goal Chairs) and submit the names to the GB</p> <p>Create a page for FIPP in the PSC website (PSC Chair)</p> <p>Together with CBC and KSC, define requirements for appointment of the Chair of FIPP and appoint new Chair</p> <p><i>Key Risks:</i></p> <p>Profile of FIPP members can imply little availability of time to dedicate to FIPP tasks. <u>Mitigating actions:</u> more accurate definition of member profile and their expected responsibilities; adapt current letter of commitment clearly specifying the amount of work that will be required from the new members.</p>

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.1 Provide strong organizational framework to support INTOSAI's standard setting including a permanent standard setting board (the FIPP), a technical support function and independent advisory function.	2. Strengthen standard setting governance structure to enhance the trust of INTOSAI members, donors, and other stakeholders in INTOSAI's standards-setting function.	Governance structure improved	<p><i>Progress to date:</i></p> <p>Strengthen the role of the current PSC-SC observers (IIA, IFAC and World Bank), , whose main role will be commenting on drafts of the SDP</p> <p>Making available in the websites updated and useful information</p> <p>Preparing joint deliberations and joint statements with KSC and CBC concerning the Due Process and other issues, including those related to the governance of FIPP</p> <p><i>Next steps:</i></p> <p>Invitation for organizations to become PSC consultative bodies, whose main role will be commenting on drafts of pronouncements</p> <p>Include in the ISSAI.org webpage links to (non-official) translations</p> <p>Liaise with regions to encourage new translations</p> <p>Prepare a project on the translation of ISSAIs (red box of IFPP) to sort out possible solutions to translation problems.</p> <p>Publish articles on INTOSAI Journal about the quality, use and impact of ISSAIs</p> <p>Make presentations on ISSAIs in different INTOSAI forums.</p> <p><i>Key Risks:</i></p> <p>Resistance from INTOSAI actors with regards to new structure and work procedures. <u>Mitigating actions:</u> Communicate the expected benefits that the changes to the INTOSAI standard setting process will bring to the organisation and its members; Communicate the opportunities available for the participation of different actors in the process.</p>

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.1 Provide strong organizational framework to support INTOSAI's standard setting including a permanent standard setting board (the FIPP), a technical support function and independent advisory function.	3. Establish adequate technical support function to ensure efficient operation and high quality in drafting of standards and to promote the wide recognition, acceptance and use.	INTOSAI provided with adequate technical support services	<p><i>Progress to date:</i></p> <p>Document "Reflections on a technical support function for INTOSAI's standard setting activities" prepared, commented by PSC Subcommittees and other Goal Chairs, and presented to PSC-SC members</p> <p>Deliberation by the PSC-SC to hold the decision until broader discussion on INTOSAI as a standard setting is carried out. (PSC-SC)</p> <p><i>Next steps:</i></p> <p>Resume the debate about the implementation of a TSF (in case the discussions in the GB in Nov/2017 lead to this)</p> <p><i>Key Risks:</i></p> <p>Not establishing the TSF. <u>Mitigation action:</u> definition of a viable model for the TSF (staff, financing, roles); clear decision from the Governing Board for the TSF implementation.</p>
Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.1 Provide strong organizational framework to support INTOSAI's standard setting including a permanent standard setting board (the FIPP), a technical support function and independent advisory function.	4. Establish and maintain an advisory group, including the current observer in the PSC as well as representatives of users, international audit organizations, and other relevant partners.	New advisory function implemented	<p><i>Progress to date:</i></p> <p>Document "Liaison with external stakeholders" to PSC-SC</p> <p>Approval by the PSC-SC of the new structure with consultative bodies and advisory partners</p> <p><i>Next steps:</i></p> <p>Invite organizations to be PSC consultative bodies</p> <p>Sign new MoUs with advisory partners (IIA and IFAC)</p> <p>Carry out the "nomination" of new consultative bodies</p> <p><i>Key Risks:</i></p> <p>Not forming a group of consultative bodies. <u>Mitigating action:</u> Invite a significant group of relevant organizations.</p>

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.1 Provide strong organizational framework to support INTOSAI's standard setting including a permanent standard setting board (the FIPP), a technical support function and independent advisory function.	6. Further develop the ISSAI website to ensure continue and steady growth in the number of visitors and that it is as accurate and useful as possible.	ISSAI website improved	<p><i>Progress to date:</i></p> <p>Carry out a survey on need for improvement of the website</p> <p>Implement suggestion received</p> <p><i>Next steps:</i></p> <p>Present information on the new IFPP to be fully implemented by 2019</p> <p>Include links to (non-official) translations of the ISSAIs</p> <p>Create a page for FIPP in the PSC webpage</p> <p>Change the website to adapt to the new framework</p> <p>Promote the website in the INTOSAI community</p> <p><i>Key Risk:</i></p> <p>PSC and ISSAI websites are focused more on users that are already involved in INTOSAI work and not on the needs of the general SAI auditors. <u>Mitigation action</u>: further develop the websites making useful information for the everyday work of auditors more accessible.</p>
Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.2 Ensure that the ISSAIs are sufficiently clear, relevant and appropriate to make them the preferred solution for INTOSAI's members. The ISSAIs should be widely recognized by all stakeholders as the authoritative framework for public sector auditing.	2. Strengthen standard setting governance structure to enhance the trust of INTOSAI members, donors, and other stakeholders in INTOSAI's standards-setting function.	ISSAIs availability increased	<p><i>Next steps:</i></p> <p>Include in the ISSAI.org webpage links to (non-official) translations</p> <p>Liaise with regions to encourage new translations</p> <p>Prepare a project on the translation of ISSAIs (red box of IFPP) to sort out possible solutions to translation problems.</p> <p><i>Key risks:</i></p> <p>Good translations of the ISSAIs are not available in many languages. <u>Mitigating actions</u>: guarantee that good translations for the ISSAIs are available in the 5 official INTOSAI languages; encourage and make available the translation of the ISSAIs into other languages.</p>

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress Indicator	Action items and other comment
1.2 Ensure that the ISSAIs are sufficiently clear, relevant and appropriate to make them the preferred solution for INTOSAI's members. The ISSAIs should be widely recognized by all stakeholders as the authoritative framework for public sector auditing.	5. Monitor INTOSAI's standard-setting activities to ensure that the overall due process for professional pronouncement is followed and facilitate further development and improvement if necessary.	Due process monitored SDP 2017-2019 revised SDP 2020-2022 approved	<p><i>Progress to date:</i></p> <p>Carry out revision on the 2017-2019 SDP</p> <p>Provide guidance to FIPP on the revision of the SDP 2017-2019 (PSC-SC)</p> <p>Approve timeline for the 2020-2022 SDP (starting in 2018)</p> <p>Prepare a proposal regarding the effective date of pronouncements according to item 1.1 of the Due Process (together with CBC and KSC) to present to the GB</p> <p>Circulate project proposals under the responsibility of the PSC to PSC-SC members</p> <p>Submit project proposals to FIPP with comments from the PSC Chair and from PSC-SC</p> <p><i>Next steps:</i></p> <p>Approve revised version of the 2017-2019 SDP to submit to the GB</p> <p>Follow the execution of PSC Subcommittees' projects in SDP 2017-2019</p> <p>Subcommittees send inputs to SDP 2020-2022</p> <p>Consider FIPP suggestions on SDP procedure and fix process</p> <p>Follow the preparation and exposure of the draft of the 2020-2022 SDP</p> <p>Request suggestions to SAIs, INTOSAI bodies and external stakeholders concerning the SDP 2020-2022 / Analyze comments received</p> <p>PSC Steering Committee approves SDP for 2020-2022</p> <p>Prepare a proposal on interpretation of pronouncements (together with CBC and KSC) to present to the GB</p>

			<p><i>Key Risks:</i></p> <p>The SDP does not reflect priority needs of the SAI community. <u>Mitigating action:</u> Guarantee ample consultation and participation in the development of future SDPs.</p> <p>Excessively long development periods for new and revised standards. <u>Mitigating actions:</u> monitor the development of individual projects to make sure they are following the agreed timetable; Ratify interpretation that the effective date of pronouncements are after the Governing Board has referred them to the Congress for final endorsement.</p> <p>Undue interference on the technical work of FIPP. <u>Mitigating actions:</u> work to guarantee the independence of the FIPP.</p> <p>Pronouncements of low quality are approved. <u>Mitigating action:</u> Make sure due process is followed by all parties involved.</p> <p>Limited knowledge about the content, scope, purpose and importance of the ISSAI in the SAI community. <u>Mitigating actions:</u> conduct awareness raising and capacity building activities in regions/SAs; design and implement a communication strategy to disseminate information about the ISSAIs.</p>
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Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.3 Promote the ISSAIs as a source for the development of auditor education and certification programs as well as education and training standards.	2. (...) Ensure sufficient coordination between the development of new guidance and any related INTOSAI initiative to support ISSAI implementation and sound professional practices.	Support to CBC provided	<p><i>Key risks:</i></p> <p>SAIs and INTOSAI bodies do not use the ISSAIs as basis for auditor education and certification programmes. <u>Mitigating action:</u> design and implement a communication strategy to disseminate information about the ISSAIs</p>
Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.3 Promote the ISSAIs as a source for the development of auditor education and certification programs as well as education and training standards.	8. Collaborate closely to develop a competency framework and certification program established under goal 2.	Support to CBC provided	<p><i>Progress to date:</i></p> <p>Participation by the PSC Chair and the PAS on the task force on INTOSAI auditor professionalization</p> <p><i>Next steps:</i></p> <p>Continue support to the task force on INTOSAI auditor professionalization</p>

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.4 Work towards and ensure the continued development and maintenance of the INTOSAI Framework of Professional Pronouncements (IFPP)	5. Monitor INTOSAI's standard-setting activities to ensure that the overall due process for professional pronouncement is followed and facilitate further development and improvement if necessary.	Projects under the responsibility of the PSC in the 2017-2019 SDP completed	<p><i>Progress to date:</i></p> <p>Develop criteria and principles to be followed by the working groups and subcommittees when drafting project proposals (PSC-SC)</p> <p>Consult FIPP regarding documents in the current framework that have not been placed on the new IFPP</p> <p>Discuss project proposal with subcommittees</p> <p>Circulate project proposals under the responsibility of the PSC to the PSC-SC</p> <p>Develop and Submit project proposals 1.1, 1.2, 1.3, 2.1, 2.2 to FIPP</p> <p>Prepare exposure draft of project 1.1</p> <p><i>Next steps:</i></p> <p>Develop new visual identity for the IFPP</p> <p>Change the visual identity for the IFPP</p> <p>Conclude "relabeling and renumbering"</p> <p>Form project groups for projects 2.3 and 2.6</p> <p>Subcommittees execute projects 1.2, 1.3, 2.1 (FAAS), 2.2 (CAS), 2.5 and 2.6 (ICS)</p> <p><i>Key Risks:</i></p> <p>Maintenance of pronouncements are not carried out as planned. <u>Mitigating action:</u> Monitor maintenance frequency of all pronouncements and include in the SDP.</p> <p>SDP is not fully implemented. <u>Mitigating action:</u> Monitor the development of individual projects to make sure they are following the agreed timetable.</p> <p>Lack of understanding of the differences between a standard and a guidance. Mitigating actions: Disseminate the new classification principles for INTOSAI professional pronouncements; Develop drafting conventions for new standards and guidance.</p>

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.4 Work towards and ensure the continued development and maintenance of the INTOSAI Framework of Professional Pronouncements (IFPP)	9. Collaborate closely on initiatives taken under goal 3 to promote knowledge sharing and develop expertise that can be leverage in the development of INTOSAI's professional pronouncements.	Support to the KSC provided	<p><i>Progress to date:</i></p> <p>Contact PSC Subcommittees to see the possibility of their participation in projects 2.7 – 2.10</p> <p><i>Next steps:</i></p> <p>Decision on PSC subcommittee's participation on projects 2.7, 2.8, 2.9 and 2.10, under the responsibility of the KSC.</p> <p>Comment on project proposals under the responsibility of the KSC</p> <p><i>Key Risks:</i></p> <p>PSC Subcommittees do not have enough resources to fully engage on all SDP projects that foresee their participation. <u>Mitigating action:</u> Instead of being full members of project groups, in some cases, PSC subcommittees can have a consultative or advisory role.</p>

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.5 Monitor the implementation and adoption of standards and feed any problems or issues back into the standard-setting process to ensure that the standards are as useful and relevant as possible.	10. Collaborate closely with IDI, other INTOSAI bodies, other international standard setter and partners who share the overall goal of promoting strong, independent and multidisciplinary SAIs and encourage good governance.	Collaboration with INTOSAI bodies and other partners broadened	<p><i>Progress to date:</i></p> <p>Sign new term of reference between PSC subcommittees and IDI for support in the 3i programme</p> <p>Contact Regional Organizations to request a reevaluation of their representation in the PSC-SC</p> <p>Paper on quality assuring INTOSAI public goods that are developed and published outside due process</p> <p>PAS participate in the revision of the ISSAI implementation handbook on performance audit.</p> <p>CAS participate in the revision of the ISSAI implementation handbook on compliance audit.</p> <p>ICS has been working on a solution on “good governance as the purpose of internal control” addressed to external stakeholders (governments, municipalities, NGOs, self-governments etc.) and auditors/SAIs.</p> <p><i>Next steps:</i></p> <p>PSC Subcommittees work in the 3i Programme according to the ToR signed</p> <p>ICS develop a prototype of the solution on good governance as the purpose of “internal control”</p> <p><i>Key Risks:</i></p> <p>Lack of coordinated initiatives between the PSC, the IDI, the CBC and Regional Organizations aiming at supporting and monitoring the implementation of ISSAIs.</p> <p><u>Mitigating action:</u> design and propose coordinated initiatives.</p>

Strategic objective (as per SP 2017-22)	Strategies & initiatives (as per SP 2017-22)	Progress indicator	Action items and other comment
1.5 Monitor the implementation and adoption of standards and feed any problems or issues back into the standard-setting process to ensure that the standards are as useful and relevant as possible.	7. Implement a monitoring system to obtain feedback from SAIs on their implementation of the ISSAIs and their practical experience using the ISSAIs in audits or as basis for national standards and to feed this information back into the standard-setting process.	Standard setting process takes into consideration feedback received from ISSAI implementation	<p><i>Progress to date:</i></p> <p>Promote a debate on ISSAI implementation and feedback loop with IDI and Regional Organizations during the PSC-SC Meeting</p> <p><i>Next steps:</i></p> <p>Collect SAIs and Regional Organizations experiences on ISSAI implementation</p> <p>Collect information from SAI-PMF (and other sources?) regarding compliance with the ISSAIs.</p> <p><i>Key risks:</i></p> <p>Lack of common understanding of what is to be in compliance with the ISSAIs. <u>Mitigating actions:</u> discuss and enhance this concept to seek a clear understanding.</p> <p>SAIs do not offer feedback regarding ISSAI implementation. <u>Mitigating action:</u> Encourage the application of diagnostic tools such as iCAT and SAI PMF and the sharing of the results</p> <p>Lack of systematic monitoring process regarding ISSAI implementation - current data is not reliable. <u>Mitigating action:</u> Design and implement process</p> <p>The standard setting process does not take into consideration feedback from the SAIs about the implementation of ISSAIs. <u>Mitigating action:</u> create a feedback loop.</p> <p>SAIs do not have the necessary capacity to implement the ISSAIs. <u>Mitigating action:</u> support the development of capacity in SAIs (trainings, external support, monitoring).</p> <p>Lack of knowledge by SAIs about their needs and demands that might be addressed by ISSAIs. <u>Mitigating action:</u> encourage SAIs to apply diagnostic tools such as SAI PMF.</p>

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Key to progress indicator colours

	Initiatives / projects on schedule
	Initiatives / projects behind schedule
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	Initiatives / projects completed

Crosscutting Priorities review (as at October 6th, 2017)

Crosscutting Priority (as per SP 2017-22)	Progress indicator	Action items and other comment
<u>Crosscutting Priority 1:</u> Advocating for and supporting the independence of SAIs.	SDP 2017-2019 implemented SDP 2020-2022 prepared	<p><i>On going activities:</i></p> <p>Carry out a thorough revision of the ISSAI Framework aiming at providing and maintaining professional standards for the SAIs (SP 2017-2022)</p> <p>Prepare and implement the SDP aiming at providing and maintaining professional standards for the SAIs (SP 2017-2022)</p> <p>Updating the ISSAI 10 - Mexico Declaration on SAI Independence (SDP Project 1.1)</p> <p>Key risks:</p> <p>The SDP does not reflect priority needs of the SAI community. <u>Mitigating action:</u> Guarantee ample consultation and participation in the development of future SDPs</p> <p>SDP is not fully implemented. <u>Mitigating action:</u> Monitor the development of individual projects to make sure they are following the agreed timetable.</p>

Crosscutting Priority (as per SP 2017-22)	Progress indicator	Action items and other comment
<p>Crosscutting Priority 2: Contributing to the follow-up and review of the SDGs within the context of each nation's specific sustainable development efforts and SAls' individual mandates.</p>	<p>Support to the indicated SDG activities timely provided</p>	<p><i>On-going activities:</i></p> <p>Supporting the preparation of the Reporting framework (assessment matrix) for Approach 3 (Internal Control Subcommittee - ICS)</p> <p>Reviewing the work done under Approach 2 (Performance Audit Subcommittee – PAS)</p> <p>Explore synergies between approach 1 and 2: In approach 2, the PAS will use data from the KSC-IDI programme on cooperative audits to map the development of methods and experiences in auditing SDGs.</p> <p>Participating in SDP project 3.1 (priority 3 – beyond 2019)</p> <p><i>Key Risks:</i></p> <p>PSC subcommittees are not able to effectively integrate SDGs-related projects into their work plans. <u>Mitigating action:</u> clearly communicate objectives and the expected contribution to subcommittee members and other INTOSAI bodies involved.</p>

Crosscutting Priority (as per SP 2017-22)	Progress indicator	Action items and other comment
<p><u>Crosscutting Priority 3:</u> Ensuring effective development and coordination among standards-setting, capacity development, and knowledge sharing to support SAIs and improve their performance and effectiveness.</p>	<p>Collaboration and coordination improved</p>	<p><i>On-going activities</i></p> <p>Joint work to maintain the governance of FIPP, including the maintenance of membership</p> <p>Coordinated efforts during the preparation, revision and implementation of the SDP</p> <p>Participation in the Goal Chairs Collaboration initiative, including a presentation of a joint statement on different themes to the GB</p> <p><i>Key Risks:</i></p> <p>Difficulties in harmonizing different priorities and work plans. <u>Mitigating action:</u> good coordination and ample dialogue during the preparation of the SDP.</p> <p>Difficulties in guaranteeing effective participation of working groups and Subcommittees in joint projects (as indicated in the SDP). <u>Mitigation actions:</u> assure adequate communication between the goal chair and their subcommittees and working groups; encourage good communication and planning within subcommittees and working groups.</p> <p>Joint actions do not address ISSAI implementation as means to enhance SAI performance and effectiveness. <u>Mitigating action:</u> include implementation issues in the Goal Chair Collaboration agenda.</p>

Crosscutting Priority (as per SP 2017-22)	Progress indicator	Action items and other comment
<p><u>Crosscutting Priority 4:</u> Creating a strategic and agile INTOSAI that is alert to and capable of responding to emerging international opportunities and risks.</p>	<p>Collaboration with external organizations improved</p>	<p><i>On-going activities:</i></p> <p>Strengthening the partnership with IFAC, IIA and World Bank (PSC Advisory partners)</p> <p>Broadening the participation of external stakeholders (advisory partners and consultative bodies) in the INTOSAI standard setting</p> <p>Following up the work of standard setting organizations through the participation of INTOSAI representatives in their boards and councils</p> <p>Participating in the SCEI deliberations</p> <p>Take to GB's consideration that new pronouncements can take effect after GB's approval (and then endorsed by Congress), according to due process</p> <p><i>Key Risks:</i></p> <p>Excessively long development periods for new and revised standards. <u>Mitigating actions:</u> Monitor the development of individual projects to make sure they are following the agreed timetable; Obtain GB agreement on the interpretation that the effective date of pronouncements are after the Governing Board has referred them to the Congress for final endorsement.</p> <p>New advisory function do not bring the intended improvements to the standard setting process. <u>Mitigating action:</u> formalize commitments and actively communicate with partners to ensure high level of engagement.</p>

Crosscutting Priority (as per SP 2017-22)	Progress indicator	Action items and other comment
<p>Crosscutting Priority 5: Building upon, leveraging, and facilitating cooperation and professionalism among the regional organizations of INTOSAI.</p>	<p>SDP implemented</p> <p>Support in standard setting activities provided</p>	<p><i>On-going activities:</i></p> <p>Implementing the SDP, to provide high quality professional pronouncements for the SAIs</p> <p>Signing MoU with IDI to participate in the 3i Program</p> <p>Strengthening the participation of the Regional Organizations in the PSC Steering Committee</p> <p><i>Key risks:</i></p> <p>Regional Organizations and PSC have different priorities regarding professional standards. <u>Mitigating action:</u> PSC includes ISSAI implementation in its work plan.</p>



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Committee

PSC REPORT ON THE IMPLEMENTATION OF THE SDP

The new “Due Process for INTOSAI Professional Pronouncements”, endorsed at INCOSAI 2016, introduced a new instrument in the standard setting process – the Strategic Development Plan (SDP). This refers to a general strategy and a working plan for the development of the INTOSAI framework of professional pronouncements.

The SDP 2017-2019 was approved by INTOSAI Governing Board in the end of last year and includes a list of projects that should be developed in the next years, under 3 priorities:

Priority 1 – projects and activities related to the implementation of the new framework for professional pronouncements

Priority 2 – projects to develop guidance by 2019 to support ISSAI implementation

Priority 3 – projects to strengthen INTOSAI professional pronouncements beyond 2019.

The Forum for INTOSAI Professional Pronouncements presented a report with information about the status of the implementation of each of the projects included in priority 1 and 2 of the SDP (as at July 21 – 2017). The PSC Chair is asking the Governing Board to take note of this report.

The PSC Chair would like to add some information about the projects/activities which the committee is responsible for monitoring its implementation:

Priority 1:

- Relabeling and renumbering: a number of pronouncements need to go through an editorial exercise in order to fit into the new framework. The basic numbering principles are shown in table 1 and in Figure 2 of annex 1 of the SDP. The detailed numbering schema is yet to be provided by FIPP, in order to allow the PSC Secretariat to begin this work (that will be done in a centralized manner, as approved in the last PSC-SC meeting)

- Project 1.1 - update the preamble of INTOSAI P-10 (former ISSAI 10)

- Project 1.2 – revision of ISSAI200

- Project 1.3 – consolidation and improvement of INTOSAI practice notes to ISSAIs

The respective project proposals were approved by FIPP in the beginning of October. The project groups will now start to work on the text of the pronouncements

Priority 2:

- Project 2.1 – guidance on financial audit

The project proposal was approved by FIPP in the beginning of October. The project group will now start to work on the text of the pronouncement

- Project 2.2 – guidance on compliance audit

The first project proposal was not approved by FIPP in its meeting in July. CAS was advised to carry out an initial assessment before developing a revised proposal. A revised project proposal is being discussed with project group members.

Project 2.3 – using ISSAIs in accordance with the SAI's mandate and carrying out combined audits

Project 2.5 - consolidation and improvement of guidance on understanding internal control in an audit

Project 2.6 - consolidation and improvement of guidance on reliance of the work of internal auditors

At the PSC-SC meeting, it was decided that FIPP "should ensure that sufficient information on projects is provided in the SDP to ensure that they can be fully understood." Following this decision, FIPP issued in September the so called "scoping papers" concerning each of these projects. With that, the PSC Chair, along with the involved PSC subcommittees, is working to set up project teams for each project in order to develop the initial assessments and respective proposals.

Project 2.4 - consolidation and improvement of guidance on SAI organizational issues

Based on the FIPP analysis about this project, when a possible overlap with project 3.5 was raised, the PSC Chair is taking a proposal to the Governing Board of merging both projects on a single project under priority 3.

Report on the implementation as at 21st July 2016 of the INTOSAI strategic development plan (SDP), 2017–2019

Introduction

1. This report is addressed to the PSC Steering Committee (PSC-SC) as the body responsible for the governance of FIPP. It sets out in a succinct manner the results of a review of the implementation of the 2017-2019 SDP carried out by FIPP at its 5th meeting held in Ottawa, Canada on 18th-21st July 2017 (see paragraphs 9–15 below). This review gives rise to a proposal to amend the SDP to make one technical correction and to add one further project (see paragraph 16 below). FIPP requests the PSC-SC to approve these amendments and to send them to the Governing Board meeting in November 2017 for endorsement. It further invites the PSC-SC to take note of the remainder of this report.

INTOSAI standards and standard setting – two significant changes endorsed by Congress in 2016

2. The XXII INCOSAI, held in Abu Dhabi in December 2016, introduced two significant changes for INTOSAI's standard setting. Firstly, it endorsed the proposal to restructure the INTOSAI framework of professional standards, originally adopted in 2007, as the INTOSAI framework of professional pronouncements (IFPP). The revised IFPP seeks, amongst others, to clarify what SAIs need to do to claim ISSAI compliance, placing ISSAI 100 – the fundamental principles of public sector auditing – at its centre. It also clarifies the scope of the framework with revised and clarified classification principles and criteria, introducing a clear distinction between the INTOSAI Principles (INTOSAI-P), the International Standards of Supreme Audit Institutions (ISSAI) with which SAIs must conform to claim ISSAI compliance, and Guidance (GUID).
3. Secondly, the INCOSAI endorsed a number of significant revisions to its due process, the procedures by which it issues professional standards and other pronouncements. Two key changes to due process are:
 - a. the creation, on a permanent basis, of the Forum for INTOSAI Professional Pronouncements (FIPP): this is a body of experts appointed to act in the interest of the full INTOSAI membership and promote public sector auditing of a high quality to the benefit of users of SAI audit reports and the general public. It assesses and approves professional pronouncements in accordance with due process. To do this, it follows and facilitates the development of individual draft pronouncements, ensures their technical quality and consistency as appropriate and approves their inclusion in the IFPP before they are presented to the INTOSAI Governing Board by the relevant committee for endorsement;
 - b. the introduction of the strategic development plan (SDP). This refers to a general strategy and working plan for the development of the INTOSAI framework of professional pronouncements (IFPP) in a clear, consistent and adequate manner. The SDP is drawn up according to a process

decided by the PSC-SC with the consent of the chairs of the CBC and KSC, after consulting with FIPP. Its content is approved by the PSC-SC on the basis of a recommendation from FIPP and is endorsed by the Governing Board. The SDP acts as “the single gateway” to the IFPP as only projects approved in the SDP can give rise to additions, revisions or the withdrawal of pronouncements in the IFPP.

The 2017 - 2019 SDP

4. The 2017-2019 SDP was endorsed by the Governing Board at its 68th meeting in December 2016. As endorsed, this first SDP is, until now, wholly concerned with the migration from the old INTOSAI framework of professional standards to the IFPP. It can be found at http://psc-intosai.org/en_us/site-psc/psc/strategic-development-plan/.
5. The SDP identifies activities under three priority levels for 2017–2019:
 - Priority 1 concerns implementing the revised IFPP after 2016. It covers the following tasks to be completed as soon as possible:
 - i. the relabelling and renumbering of existing pronouncements without further amendments;
 - ii. three projects to add references to UN Resolutions 66/209 and 68/228 to the preamble of an INTOSAI-P and to update the ISSAIs on financial auditing; and
 - iii. developing the ISSAI website after 2016 so that the process of implementing the IFPP can go ahead in a transparent manner.
 - Priority 2 consists of ten tentative projects to put in place by 2019 guidance to support ISSAI implementation.
 - Priority 3 consists of nine tentative projects to strengthen INTOSAI professional pronouncements beyond 2019. Whilst considered by FIPP as highly important, these projects are not however directly linked to the implementation of the revised IFPP. Thus, FIPP has proposed that resources should only be allocated to them once priority 1 and 2 projects are sufficiently advanced.
6. The first such document, the 2017–2019 SDP was drawn up by FIPP and approved by the PSC-SC in September/October 2016 in preparation for the INCOSAI and before the revised IFPP and due process had been endorsed. As a result, limited time could be devoted to consultations with interested parties as compared to the time required to be devoted for extensive consultation under the revised due process that was *subsequently* endorsed by the Governing Board. In the light of this, the PSC Chair, in consultation

with the other Goal Chairs, opened up a procedure to revise the SDP. This gave rise to a request from the KSC Chair for FIPP to consider adding six further projects¹ to the 2017–2019 SDP.

7. At its meeting of 8th–9th June 2017, the PSC-SC also adopted recommendations on the SDP revision, which are reproduced as Annex 1.

Implementation as at 21st July 2017

8. FIPP carried out its review of the implementation of the 2017–2019 SDP in full conformity with the recommendations issued by the PSC-SC mentioned above. The following paragraphs set out the results of the review:

- progress on the priority 1 activity of relabelling and renumbering of existing pronouncements without further amendments is reported in paragraphs 9,10 and 11 below;
- progress on the implementation of the three priority 1 and ten tentative priority 2 projects is set out in paragraphs 12 and 13 below, with further details in Annex 2;
- FIPP’s consideration of the three proposals for additional projects submitted by the KSC chair on behalf of project groups are outlined in paragraphs 14 and 15 below;
- FIPP’s proposals for changes to the SDP which will require PSC-SC approval and endorsement by the Governing Board are summarised in paragraph 16 below.

Relabelling and renumbering

9. In an exception to due process, duly agreed by the PSC-SC at its June 2017 meeting, the editorial exercise of renumbering and relabelling existing pronouncements without further amendments will be carried out not by the responsible working groups but, in a centralised manner, by the PSC Secretariat. This should ensure that the work is carried out efficiently and in a consistent manner. A list of former ISSAIs that are to be renumbered and relabelled appears in table 1 of the approved SDP.
10. The basic numbering principles for the IFPP were shown in Figure 2 of Annex 1 of the SDP. These were further refined during the fifth FIPP meeting and the numbering schema will be finalised by the end of September 2017. This will allow the PSC Secretariat to begin the renumbering and relabelling exercise.
11. In case of ISSAI 5300, which appeared both under Priority 1 and Priority 2, a clarification has been provided to the KSC goal chair that the ISSAI should be re worked into a GUID as a project under Priority 2. Hence, it is proposed to be withdrawn as a Priority 1 item.

¹ Six potential projects were submitted initially by the KSC Chair, of which three were subsequently withdrawn

Implementation of priority 1 and priority 2 projects of SDP

12. The table in Annex 2 gives an overview of the state of implementation of the three priority 1 and ten tentative priority 2 projects included in the approved SDP. FIPP reviewed all thirteen projects in the SDP during its fifth meeting. Of these, eight were discussed with the lead SAIs in tele-conferences during the FIPP meeting and a representative of the PSC Chair was present throughout the FIPP discussions. Out of thirteen projects, five project proposals were received by FIPP. Of these, three were approved subject to revisions being made to take on board FIPP's recommendations (which were largely of an editorial nature). Two more were referred back to the responsible goal chairs so that deeper initial assessments might be undertaken by the project teams. FIPP also examined one draft project proposal and indicated that it would be ready to approve the project when it is formally submitted.
13. In the remaining seven cases, FIPP is providing further information directly to lead goal chairs or identified project leaders on the scope and, in some cases, possible outputs of projects. This is either being done by FIPP "scoping papers" or by contacts with the FIPP project liaison officers. Through these actions, FIPP has fulfilled the PSC-SC's recommendation to "ensure that sufficient information on projects is provided in the SDP to ensure that they can be fully understood". In just one case, no progress at all has yet been possible as the original project group has been disbanded and the responsible goal chair is still trying to put together a new team.

Three proposals² for additional projects submitted by the KSC chair

14. On behalf of its working groups, the KSC Chair submitted to FIPP three proposals to add new projects to the SDP. These were carefully considered by FIPP and discussed in tele-conferences with the lead SAIs. Of these, **FIPP recommends that one potential project, dealing with SAIs with a jurisdictional mandate, should be added to the current SDP.** Should the inclusion of this project be supported by the PSC-SC and the Governing Board, FIPP will in particular look for the initial assessment to take into account where in the IFPP the eventual pronouncement should be placed and achieving clarity over any links between these SAIs' jurisdictional activities and their compliance audits. Whilst, technically, this project would fall under the heading "tentative projects to strengthen INTOSAI's Professional Pronouncements beyond 2019" and thus be within priority 3, FIPP considers that work might formally start on carrying out the initial assessment and drawing up a project proposal as soon the Governing Board endorses this change. This project would be led by SAI France.
15. FIPP considered that two further potential projects submitted by the KSC Chair – on the audits of key national indicators and public procurement - should not be added to the SDP. The detailed reasons for this were communicated to the originating SAI in the tele-conference held during FIPP's fifth meeting.

² Six potential projects were submitted initially by the KSC Chair, of which three were subsequently withdrawn

FIPP's proposals for changes to the SDP

16. In the light of the above, **FIPP proposes one technical amendment to the SDP to remove ISSAI 5300 from Priority 1 and retain the project only under Priority 2.** (See paragraph 11). **It further recommends that the project to draw up a pronouncement for SAIs with a jurisdictional mandate be added to the current SDP** (see paragraph 14). **It invites the PSC-SC to take note of this report, to agree these changes, to send them to the Governing Board for endorsement.**

Report on the implementation as at 21st July 2016 of the INTOSAI strategic development plan (SDP), 2017–2019

Annex 1 – PSC-SC recommendations on the SDP revision

The PSC Steering Committee, at its meeting of 8-9- June 2017, considered the issues to be taken into account when revising the current SDP, which is intended to be flexible to ensure it remains as relevant as possible.

The Committee stressed the importance of all INTOSAI bodies working towards a streamlined and high quality set of standards, while preserving **motivation** and active participation during the **transitional** period. **Inclusiveness** – one of the INTOSAI guiding principles – should be considered when the revision of the SDP is carried out together with the **criteria and key issues** mentioned below. These should be regarded by the goal chairs, their subcommittees and working groups when preparing, considering and evaluating proposals, as well as by the FIPP when examining them:

- The projects under priority 1 of the current SDP must remain a **fundamental priority**.
- All proposals should fit into the concepts and **categorisation** of the new framework
- All proposals should be accompanied by a detailed description of the **scope** of the proposed project and an explanation of its **relevance** to INTOSAI's overall strategic, cross-cutting and more specific standard setting objectives. The project proposal template could be used as a reference.
- If possible and within the context of reducing the overall volume of pronouncements, proposals for new pronouncements should be accompanied by suggestions for withdrawing unnecessary or outdated pronouncements (Due Process, item 2.3) under the same area of responsibility.
- The **capacity** to handle the project should be considered. The proposed project should not jeopardise the completion of existing SDP projects under the same responsibility and should take into account the need to meet the endorsement timetable and all relevant preparation steps.

In addition, FIPP should ensure that sufficient information on projects is provided in the SDP to ensure that they can be fully understood.

**Report on the implementation as at 21st July 2016 of the
INTOSAI strategic development plan (SDP), 2017–2019**

Annex 2 – Progress on the implementation of the three priority 1 and ten tentative priority 2 projects

Project		Lead Cttee	Status	Action to be taken
N°	Short title			
1.1	Updating the preamble of INTOSAI-P 10 to include a reference to the UN resolutions on SAIs	PSC	Draft project proposal has been prepared. To be carried out by PSC Chair, INTOSAI General Secretariat and SAI Mexico. PSC Chair presented a draft project proposal to FIPP which was received positively	PSC Chair to consult project partners before formally submitting project proposal to FIPP for approval by written procedure
1.2	A more principles-based and future-proof ISSAI 200	PSC	FAAS submitted a project proposal which FIPP approved subject to the project group complying with FIPP recommendations. Discussed by tele-conference during the FIPP meeting	FAAS to submit revised proposal in September 2017 for FIPP approval by written procedure
1.3	Consolidate and improve INTOSAI practice notes to ISSAIs	PSC	FAAS submitted two project proposals which FIPP approved subject to the project group complying with FIPP recommendations, including combining the two proposals into one. Discussed by tele-conference during the FIPP meeting	FAAS to submit revised proposal in September 2017 for FIPP approval by written procedure
2.1	Provide guidance on financial auditing	PSC	FAAS submitted a project proposal which FIPP approved subject to the project group complying with FIPP recommendations. Discussed by tele-conference during the FIPP meeting	FAAS to submit revised proposal in September 2017 for FIPP approval by written procedure. The revised proposal should indicate that this is phase 1 of a potentially larger long-term project
2.2	Provide guidance on compliance auditing	PSC	CAS submitted a project proposal which FIPP considered. FIPP has recommended that a further initial assessment be carried out by CAS before submitting a revised project proposal. In addition, FIPP has indicated some areas that initial assessment might cover. Discussed by tele-conference during the FIPP meeting.	CAS to undertake a further initial assessment and submit a revised project proposal
2.3	Using ISSAIs in accordance with the SAI's mandate and carrying out combined audits	PSC	Project proposal has not yet been submitted. The PSC Chair has requested clarification from FIPP as to its understanding of the scope and possible outputs of the project	FIPP is preparing a scoping paper to facilitate the PSC Chair's task of putting together a team to undertake a robust initial assessment. The scoping paper should be available by end September 2017

Project		Lead Cttee	Status	Action to be taken
N°	Short title			
2.4	Consolidated and improved guidance on SAI organisational issues	PSC	Project proposal has not yet been submitted. The PSC Chair has requested clarification from FIPP as to its understanding of the scope and possible outputs of the project	The FIPP Liaison Officer will provide the PSC Chair with a paper to facilitate a wide discussion of the potential scope and possible outputs of the project and thus enable the launch of an initial assessment
2.5	Consolidated and improved guidance on understanding internal control in an audit	PSC	Project proposal has not yet been submitted. ICS Subcommittee has been identified to lead this project. Discussed by tele-conference during the FIPP meeting	FIPP will provide the ICSS with a scoping paper. ICSS anticipate that a project proposal will be ready for FIPP consideration in 2018
2.6	Consolidated and improved guidance on reliance on the work of internal auditors	PSC	Project proposal has not yet been submitted. FIPP has discussed and agreed upon potential scoping of the project to be suggested to the PSC. FIPP suggests reviewing contents of GOV 9150 in order to make it into a GUID, which provides the guidance that covers all three types of audit - financial, compliance and performance. FIPP also suggests to address the issues of consistency and duplication with other pronouncements including withdrawal of some of them ICS Subcommittee has been identified to lead this project (SAIs Netherlands and Belgium).	FIPP will provide PSC with a scoping paper. ICSS to carry out an initial assessment with a view to submitting a project proposal to FIPP in 2018
2.7	Consolidating and aligning guidance for audits of Privatisation with ISSAI 100	KSC	Project proposal has not yet been submitted. Outside the framework of the present SDP, SAI Egypt has already revised existing drafts. However, FIPP considers that, if the guidance subject matter is retained in the IFPP, significant overlaps with guidance on audits of economic regulations and procurement need to be eliminated. Furthermore, there is a need to more closely orientate any subject-specific guidance to standards and guidance on FA, PA and CA	Initial project group has since been disbanded. FIPP Liaison Officers will provide the KSC Chair with additional direction.
2.8	Consolidating and aligning guidance on IT audits with ISSAI 100	KSC	WGITA submitted a project proposal on review and update of ISSAI 5310- Information Systems Security Audit. FIPP considered a project proposal and has raised a number of points about the project scope and timelines, along with alignment of guidance to FA/PA/CA audit standards and guidance. Discussed by tele-conference during the FIPP meeting	The FIPP Liaison Officer will work with the project group on the scope of the project. Furthermore, FIPP recommends that KSC considers consultation with FA/PA/CA experts as an additional quality measure

Project		Lead Cttee	Status	Action to be taken
N°	Short title			
2.9	Consolidating and aligning the audit of public debt with ISSAI 100	KSC	Project proposal has not yet been submitted. SAI Philippines is leading. Discussed by tele-conference during the FIPP meeting.	The FIPP Liaison Officer will work with the project group on the scope of the project
2.10	Consolidating and aligning the audit of disaster-related aid with ISSAI 100	KSC	Project proposal has not yet been submitted. KSC Chair is trying to establish an initial project group to work with the FIPP Liaison Officer to establish whether this guidance should be retained in the IFPP and, if so, in what form. FIPP noted that a key issue covered in the existing guidance relates to fraud, which might best be covered elsewhere in the IFPP	Original project group has since been disbanded. KSC Chair will continue to try to establish an initial project group

Dear Rafael,

The revised proposals received from SAI Russia for inclusion of projects in the SDP 2017-2019 on development of Standards on (1) Audit of use and development of Key National Indicators and (2) Public Procurement audit have been discussed, via email, in great detail by the FIPP members. Though FIPP considers that there is a need for further discussion on the scope of these projects after due deliberations FIPP is of the view that they could be added as tentative projects in the SDP document for development of GUIDs and not Standards. It was further decided that the project for Public Procurement audit could be added at a priority 2 item (2.11) and the Audit of KNIs as a priority 3 item (3.10).

Project Name (Preliminary)	Reasons for the project (FIPP's considerations)	Existing material reviewed or included as sources	Preliminary Group maybe drawn from	Category
2.11 Public Procurement audit	Consolidating and aligning existing guidance on public procurement	ISSAI 5220, Practical guideline for procurement audit developed by the INTOSAI Task Force on Public procurement audit	WGPPA, CAS, PAS and FAAS	GUID
3.10 Audit of Key National Indicators	Expressed need for guidance to undertake mandate of SAIs to audit and give assurance on performance indicators	National level of guidance of some SAIs	WGKNI, CAS, PAS and FAAS, Think tank lead by SAI UAE on SDGs	GUID

Based on the outcome of deliberations in our sixth meeting at Guatemala which is to take place after the Governing Board's meeting, the 'Project name' and scope may undergo a change and there is also the possibility that the 'The preliminary working group' may also have to be modified. Inclusion of these items may impact the existing tentative projects (e.g. 3.1 on SDGs and 2.7 on privatisation). I therefore request that the PSC-SC may bring this to the notice of the Governing Board and seek their authorisation for FIPP to carry out such changes and obtain post-facto approval of the Governing Board.

I would also like to inform you that in anticipation of its inclusion in the SDP we have nominated Neil Usher as the LO for the tentative project on Public Procurement Audit and Novy Pelankahu as LO for the tentative project on Audit of KNIs.

Please let me know whether you need any further inputs/clarifications for taking up this matter to the Governing Board. I would be happy to provide the same.

Warm regards,

Ganga
Chair, FIPP

To the members of the Steering Committee of the INTOSAI Professional Standards Committee

October 4, 2017

Letter to the members of the PSC-SC on the revision of the Strategic Development Plan (SDP)

Dear member of the PSC-SC,

As you are aware, the SDP was introduced by Due Process as a central planning tool for the development of INTOSAI's framework of professional pronouncements (IFPP). It brings together all initiatives to develop, revise or withdraw professional pronouncements and lays out a common path for all contributing working groups towards a clear, consistent and adequate set of professional pronouncements.

Our current SDP provides the general strategy and overall working plan for the development of INTOSAI pronouncements for the period 2017-2019. Its adoption at the meeting of the Governing Board in November 2016 was preceded by time constraints which meant that only limited time could be devoted to consultations with interested parties. It is important to mention that the introduction to the current SDP even acknowledges that it has always been considered as a 'living' document which would adapt to changing priorities.

In this context, the PSC, CBC and KSC Chairs agreed on the need for a revision of the SDP. In its meeting in June 2017, the PSC-SC agreed on the issues which should be taken into account when revising the current SDP to keep it flexible and to ensure that it remains as relevant as possible. These recommendations were addressed to FIPP, to the PSC-subcommittees and to the other Goal Chairs (**Annex I**). In accordance with Due Process, the SDP is finalised by the PSC Steering Committee and presented to the Governing Board for endorsement, on the basis of an initiative by FIPP to propose amendments and updates to the plan as needed.

Accordingly, FIPP addressed to the PSC-SC its "Report on the implementation as at 21st July 2017 of the INTOSAI strategic development plan (SDP), 2017 – 2019" (**Annex II**), with further considerations in the

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message sent by FIPP Chair to the PSC Secretariat at September 26th (**Annex III**). In these documents, FIPP proposes the following amendments to the SDP:

- i. A technical amendment whereby the project on ISSAI 5300 (Guidelines on IT audit) which appeared in both Priorities 1 and 2 will be retained only in Priority 2;
- ii. The inclusion of a new project in the SDP under priority 3 to draw up a pronouncement for SAIs with jurisdictional mandates;
- iii. The addition to the SDP of two new projects; the first on Public Procurement Audit (working title), under Priority 2, and the second on the Audit of Key National Indicators (working title) under Priority 3. In the letter sent in September 26th, FIPP recommended that both projects be considered as tentative projects in the SDP for the development of GUIDs rather than Standards. In the same letter FIPP draws attention to the fact that the inclusion of these two projects may have an impact on existing tentative projects 3.1 (on SDGs) and 2.7 on privatisation and that there is a possibility that the project names, scopes and preliminary working groups suggested in FIPP's letter may have to be modified depending on further discussions about them in the next FIPP meeting. Therefore, FIPP requests that the PSC-SC "may bring this to the notice of the Governing Board and seek their authorisation for FIPP to carry out such changes and obtain post-facto approval of the Governing Board."

Regarding the relabelling and renumbering of the existing pronouncements without further amendments (SDP pages 8/9), FIPP informed that the full numbering schema would be finalised by FIPP by the end of September.

The PSC Chair has the following considerations about FIPP's proposals and the revision of the current SDP:

We agree on the proposed amendment related to ISSAI 5300.

We also agree on adding the three new projects to the current SDP. However, the PSC Chair believes that it was not properly explained why it was suggested that the project about public procurement (PP) should be included under Priority 2 and the ones about SAIs with jurisdictional mandates and key national indicators (KNI) should fall under Priority 3. It is important to mention that FIPP has already appointed liaison officers for the KNI and PP projects and, in relation to the jurisdictional SAIs, it also pointed out that "the work might formally start on carrying out the initial assessment and drawing up a project proposal as soon the Governing Board endorses this change".

About the project on Jurisdictional SAIs, there is an general understanding about its relevance, considering that about one third of SAIs in the world belong to this type of model and lack more detailed guidance in the current framework, especially regarding non-audit activities. This was also recognized in the last meeting of FIPP. This has led us understand that this project should be included into Priority 2 category.

Regarding the PP and KNI projects we agree with FIPP's proposal that they should be included in priorities 2 and 3, respectively, considering the envisaged link of these projects with current SDP projects 2.7 (privatisation) and 3.1 (SDGs) that are already in priorities 2 and 3. As soon as Governing Board endorses the changes, the Working Group on KNI can start to work on the initial assessment and communicate with the INTOSAI bodies that will likely participate in the project group and with the FIPP liaison already appointed.

The PSC Chair also agrees with FIPP that, by the concepts of standards and guidance outlined in the classification principles (Annex 1 of the SDP), the envisaged outcomes of these three new projects will likely to be GUIDs, not standards.

FIPP flags up the possibility that names, scopes and preliminary working groups about the three new projects could be changed after a more detailed discussion concerning these projects. Considering the short time for discussion (especially the KNI and PP ones, and taking into account the new elements sent by the working groups in the last weeks, after the KSC-SC meeting at the end of August), we understand this is likely to be a reality. We thus propose to include in the motion to the GB about the revision of the SDP a proposal to authorize the PSC-SC to approve further refinements in the "names", "reasons for the project" and "preliminary group" columns of those projects in the SDP, based on a reasoned proposal made by FIPP. The PSC Chair also acknowledges that, according to Due Process, it is FIPP's responsibility to decide upon the working title and proposed numbering for project proposals, according to the classification principles.

During the last meeting of FIPP, when the members were discussing the scoping of project 2.4 – "Consolidated and improved guidance on SAI organizational issues", the question of the possible overlap with project 3.5 was raised – "Consolidate and refining the organizational requirements for SAIs". After the meeting, the FIPP liaison officer for project 2.4 developed more detailed scoping for these projects and concluded they should be merged on a single project under priority 3 (**Annex IV**). Although this is not formally a FIPP decision, it seems that there was a broad agreement within the forum about that proposal. As a matter of efficiency, the PSC Chair agrees with the proposal of merging projects 2.4 and 3.5 and that it will be more productive to start the work after the migration to the new IFPP in 2019.

Concerning the relabelling and renumbering of existing pronouncements, as decided by the PSC-SC this year, this work will be done in a centralised way by the PSC-SC Secretariat, based on the schema to be provided by FIPP.

It is the intention of the PSC Chair to present a revised SDP containing these modifications to the meeting of the Governing Board of INTOSAI on 6 and 7 November 2017. To do so, according to Due Process, , we need the approval of the PSC Steering Committee for these changes, summarized below, and we would be grateful if you could indicate your position by **13 October 2017 at the latest**. For members who do not respond by this deadline, we will consider by default that they approve the proposed changes.

Proposal to the PSC Steering Committee – Promote the following changes in the current SDP:

- i. A technical amendment whereby the project on ISSAI 5300 (Guidelines on IT audit), which appeared in both Priorities 1 and 2, will be retained only in Priority 2;
- ii. The inclusion of tentative projects on the following areas (along with a motion to the Governing Board to authorize, for these new projects, the PSC-SC to approve, if necessary, further refinements in the “names”, “reasons for the project” and “preliminary group” columns of the SDP, based on a motivated proposal made by FIPP):
 - a) Public procurement audit (Priority 2)
 - b) SAIs with jurisdictional mandates (Priority 2)
 - c) Audit of Key National Indicators (Priority 3)
- iii. The merger of projects 2.4 and 3.5 under Priority 3.
- iv. The inclusion of an annex to the SDP with the complete schema for relabelling and renumbering of existing pronouncements.

Please do not hesitate to contact us if we can be of any further assistance.

Kind regards,



Mr Rafael LOPES TORRES
Professional Standards Committee

Encl.

Annex I: PSC statement on revising the SDP

Annex II: Report on the implementation of the INTOSAI strategic development plan (SDP), 2017 – 2019.

Annex III: Letter from FIPP to PSC on the revision of the SDP.

Annex IV: FIPP's paper on projects 2.4 and 3.5

Revision of the Strategic Development Plan for the INTOSAI Framework of Professional Pronouncements 2017-2019

November 2017



**INTOSAI
PSC**

Professional
Standards
Committee

Message from the Professional Standards Committee

The current Strategic Development Plan (SDP), adopted at the meeting of the Governing Board in December 2016, provides the general strategy and overall working plan for the development of INTOSAI pronouncements for the period 2017-2019. This important instrument was envisaged as a practical and flexible working tool to ensure continuous overall planning and coordination of any drafting work undertaken by working groups and/or subcommittees in INTOSAI.

According to the revised due process for INTOSAI's Professional Pronouncements (also adopted in December 2016), FIPP takes the initiative to propose amendments and updates to the plan as needed before it is finalised by the PSC Steering Committee and presented to the Governing Board for endorsement.

Considering the very tight timetable circumstances under which the current SDP was initially prepared, the PSC, CBC and KSC Chairs agreed on the need for a revision of the SDP in 2017. To do so, the Goals Chairs invited their subcommittees and working groups to carefully analyse the current SDP and suggest amendments they deemed necessary. In addition, the PSC-SC set out the issues which ought to be taken into account during the revision to ensure the SDP is as flexible and as relevant as possible¹. These inputs were forwarded to FIPP to consider when drafting their recommendations for the revision.

Based on the report by FIPP on the results of a review of the implementation of the 2017-2019 SDP conducted at its 5th meeting held in July 2017², and of a further communication by FIPP on additional considerations for the revision of the SDP³, the PSC Chair submitted a proposal for a revision of the SDP 2017-2019⁴ which was approved by PSC-SC members.

¹ PSC-SC recommendations on the SDP revision, 9 June 2017.

² Report on the Implementation as at 21st July 2017 of the INTOSAI strategic development plan (SDP) 2017 – 2019.

³ Message sent by the FIPP Chair to the PSC Secretariat, 26 September 2017.

⁴ Letter from the PSC Chair to the members of the PSC-SC, 4 October 2017.

Changes to the current SDP

Against this background, and having carefully considered the elements contained in the above communications, the PSC-SC now proposes the following amendments to the current SDP to be endorsed by INTOSAI Governing Board. The amendments are listed below **Box 1** and are reflected in red in the tables relating to Priorities 1, 2 & 3 in **Annex I**.

Box1: Proposed amendments to the SDP

- | | |
|------|---|
| i. | A technical amendment whereby the project on ISSAI 5300 (Guidelines on IT audit), which appeared in both Priorities 1 and 2, will be retained in Priority 2 only; |
| ii. | The inclusion of projects on the following <ul style="list-style-type: none">a) Public procurement audit (Priority 2)b) SAIs with jurisdictional mandates (Priority 2)c) Audit of Key National Indicators (Priority 3)
(N.B. the names and reasoning behind these projects as well as the working group(s) who will work on them are only defined provisionally at this stage. PSC-SC will complete the details based on information from FIPP. |
| iii. | The merger of projects 2.4 and 3.5 under Priority 3. |

Annex I: Updated tables of Priorities 1,2 & 3

Priority 1 - Relabelling and renumbering (Table 1)

INTOSAI-P
ISSAI 1 The Lima Declaration is renumbered as INTOSAI-P 1 with no further amendments
ISSAI 10 The Mexico Declaration on SAI Independence is relabelled as INTOSAI-P 10
ISSAI 12 The Value and Benefits of Supreme Audit Institutions – Making a difference to the lives of citizens is relabelled as INTOSAI-P 12
ISSAI 20 Principles of transparency is relabelled as INTOSAI-P 20
ISSAIs
ISSAI 30 Code of Ethics is renumbered as ISSAI 130
ISSAI 40 Quality Control for SAIs is renumbered as ISSAI 140
ISSAI 300 Fundamental Principles of Performance Auditing is changed to ISSAI 300 Performance Audit Principles
ISSAI 400 Fundamental Principles of Compliance Auditing is changed to ISSAI 400 Compliance Audit Principles
GUIDs
ISSAI 3100 is moved to the GUID 3900 series
ISSAI 3200 is moved to the GUID 3900 series
ISSAI 5000 Audit of International Institutions is moved to the GUID 5000 series
ISSAI 5110 Guidance on Conducting Audits of Activities with an Environmental Perspective is moved to the GUID 5000 series
ISSAI 5120 Environmental Audit and Regularity Auditing is moved to the GUID 5000 series
ISSAI 5140 How SAIs May Co-operate on the Audit of International Environmental Accords is moved to the GUID 5000 series
ISSAI 5300 Guidelines on Information Technology Audit is moved to the GUID 5000 series
ISSAI 5450 Guidance on Auditing Public Debt Management Information Systems is moved to the GUID 5000 series
ISSAI 5600 Peer Review Guidelines is moved to the GUID 1900 series
ISSAI 5700 Guideline for the Audit of Corruption Prevention is moved to the GUID 5000 series
ISSAI 5800 Guide for Cooperative Audit of Corruption Programs between Supreme Audit Institutions is moved to the GUID 1900 or 9000 series
INTOSAI GOV 9160 Enhancing Good Governance for Public Assets is moved to the GUID 5000 series
INTOSAI GOV 9300 Principles for External Audit Arrangements for International Institutions is moved to the GUID 5000 or 9000 series
INTOSAI GOV 9400 guidance on evaluation of public policies is moved to the GUID 9000 series

Priority 1 - Inclusion of references to UN resolutions and updating ISSAIs for financial auditing (Table 2)

N°	Project name (preliminary)	Existing material reviewed	Preliminary working group may be drawn from	Category
1.1	Updating the preamble of INTOSAI-P 10 to include a reference to the UNs resolutions (No further revision is foreseen)	ISSAI 10 in light of: The UN resolutions (will be implemented together with the change to INTOSAI P10)	<u>PSC/FIPP</u> : (The PSC working group on ISSAI 10 has been dissolved); INTOSAI General Secretariat	INTOSAI Principles
1.2	A more principles-based and future-proof ISSAI 200	ISSAI 200 in order to reduce the details and make the principles more robust in light of present and future changes in the ISA5A first review of ISSAI200 has already been made by the FAAS Secretariat	<u>PSC</u> : ISSAI 100/200 ad hoc group (dissolved); Financial Audit and Accounting Subcommittee INTOSAI Regions (any interested/relevant groups as needed)	ISSAI 200 Financial Audit Principles
1.3	Consolidate and improve INTOSAI practice notes to ISSAI5	All practice notes in ISSAIs 1200-1815 In order to retain the notes that can be classified as part of the ISSAIs (Application material) A new format may be considered	Financial Audit and Accounting Subcommittee	ISSAI

Priority 2- Tentative projects on guidance to support the use of the ISSAIs (Table 3)

N°	Project name (preliminary)	Reasons for the project (FIPP's considerations)	Existing material reviewed or included as sources	Preliminary working group may be drawn from	Category
2.1	Provide guidance on financial auditing	At the moment there is only limited practical guidance. (The practice notes to the ISA's provide application guidance on the individual ISA-requirements)	Practice notes (see project under Priority 1) Relevant materials in INTOSAI Regions and IDI Handbooks. The new 3100 and 3200 on performance audits may be relevant for comparison.	<u>PSC</u> : Financial Audit and Accounting Subcommittee IDI and INTOSAI Regions	Supplementary financial audit guidance GUID 2900-2999
2.2	Provide guidance on compliance auditing	At the moment there is only limited practical guidance. (The ISSAI 4100 and 4200 has been withdrawn)	Material developed by CAS Guidance developed by INTOSAI Regions and IDI. The new 3100 and 3200 on performance audits may be relevant for comparison.	<u>PSC</u> : Compliance Audit Subcommittee. IDI and INTOSAI Regions	Supplementary compliance audit GUID 4900-4999

2.3	Using ISSAIs in accordance with the SAT's mandate and carrying out combined audits.	The need for guidance on the strategic decisions an SAI needs to take on the basis of its mandate before it applies the ISSAIs (cf. ISSAI 100). The mandate defines the different types of audits and engagements an SAI may carry out and ISSAIs need to be implemented accordingly. This may involve combined audits (cf ISSAI 100/23).	No pre-existing guidance in the framework. PSC mapping of mandates from 2012. SAT database Experience from SAT PMF and IDI	PSC, KSC, CBC and IDI	To be determined (GUIDs)
2.4	Consolidated and improved guidance on SAI organizational issues. <u>Merged with project 3.5</u>	The need to provide improved guidance on organizational issues such as independence, adoption of standards and quality control	ISSAI 11 and ISSAI 21 Paper on setting up PA function (Annex of "old" 3100); ISSAI 140 and the accompanying tools on quality control; SAI PMF; ISSAIs 5000; 5140; 5600 and ISSAI 5800 (endorsed in 2016 and changed to GUID) In light of principles on organizational issues in ISSAI 100	<u>PSC:</u> Ad hoc groups on ISSAI 11, 21, 40 and 100 (dissolved); Performance Audit Subcommittee (ISSAI 3100). <u>KSC:</u> Ad hoc group on ISSAI 5000 (dissolved); The Working Group on Environmental Auditing (ISSAI 5140). <u>CBC and IDI:</u> Governance and operational lead on SAIPMF Subcommittee on Peer Review (ISSAI 5600); Subcommittee on Cooperative Audits (ISSAI 5800).	SAI organizational guidance GUID 1900-1999
2.5	Consolidated and improved guidance on understanding internal control in an audit	There are several ISSAIs and other documents covering the same issues. There needs to be clear guidance on this subject.	INTOSAI GOV's 9100-9130 on Internal control (revision already foreseen) Related ISSAIs in the 5000-series also dealing with internal control: ISSAI 1315. COSO Framework including the Entity Risk Management Framework +/- ISSAI 5410 – IC on Public Debt	<u>PSC:</u> Internal Control Subcommittee; ISSAI 100 ad hoc group (dissolved); Financial Audit and Accounting Subcommittee; Compliance Audit Subcommittee; <u>KSC:</u> Would be desirable to co-opt members from:	Subject specific guidance GUID 5000-5999

			+/- ISSAI 5300 (endorsed in 2016 changed to GUID) and 5310 - IC on IT Audit, ISSAI 5450, IDI handbook on IT audit, the IT-audit of public debt.	Working Group on Public Debt; Working Group on IT Audit	
2.6	Consolidated and improved guidance on reliance on the work of internal auditors.	The role of internal auditors needs to be stated in the context of an audit. There needs to be a clear linkage between the treatment of internal auditors in the ISSAIs and the supporting GUID	INTOSAI GOVs on Internal Auditors 9140-9150 and related ISSAIs for example ISSAI 1610.	<u>PSC</u> : Internal Control Subcommittee; Financial Audit and Accounting Subcommittee; Compliance Audit Subcommittee.	Subject specific guidance GUID 5000-5999
2.7	Consolidating and aligning guidance for audits of Privatization with ISSAI 100	The format and content needs to be better aligned with the ISSAI 100. Key messages need to be extracted and updated. Statements about 'best practice' need to be well founded.	ISSAI 5210 ISSAI 5220 ISSAI 5230 ISSAI 5240	<u>KSC</u> : Working Group on the Audit of Privatisation. <u>PSC</u> : ISSAI 100 ad hoc group (dissolved); Would be desirable to co-opt members from: Performance Audit Subcommittee ; Financial Audit and Accounting Subcommittee ; Compliance Audit Subcommittee.	Subject specific audits GUID 5000-5999
2.8	Consolidating and aligning guidance on IT audit with ISSAI 100	There is a need to clarify how IT audit is linked with or supports the three main types of audit. This may result in new GUIDs as well as changes in existing material.	ISSAI 5300 (endorsed in 2016 changed to GUID) ISSAI 5310 (to be reviewed)	<u>KSC</u> : Working Group on IT Audit <u>PSC</u> : ISSAI 100 ad hoc group (dissolved); Would be desirable to co-opt members from: Compliance Audit Subcommittee; Performance Audit Subcommittee; Financial Audit and Accounting Subcommittee;	Subject specific audits GUID 5000-5999
2.9	Consolidating and aligning the audit of public debt with ISSAI 100.	There is a lot of repetition and numerous redundancies in the existing documents.	ISSAI 5410, 5420, 5421, 5422, 5430, 5440	<u>KSC</u> : Working Group on Public Debt <u>PSC</u> : ISSAI 100 ad hoc group (dissolved);	Subject specific audits GUID 5000-5999

		These should be cleared and merged and furthermore be aligned with ISSAI 100		Would be desirable to co-opt members from: Compliance Audit subcommittee; Performance Audit Subcommittee; Financial Audit and Accounting Subcommittee;	
2.10	Consolidating and aligning the audit of disaster related aid with ISSAI 100.	There is a need to extract key messages, consolidate and make the material operational in the context of financial, compliance or performance audits after the ISSAIs.	ISSAI 5500, 5510, 5520, 5530, 5540 INTOSAI GOV 9250	<u>KSC</u> : Working Group on Accountability for and the Audit of Disaster-related Aid (dissolved) <u>PSC</u> : ISSAI 100 ad hoc group (dissolved); Would be desirable to co-opt members from: Compliance Audit Subcommittee; Performance Audit Subcommittee ; Financial Audit and Accounting Subcommittee	Subject specific audits GUID 5000-5999
2.11	Public Procurement audit	Consolidating and aligning existing guidance on the audit of public procurement.	ISSAI 5220, Practical guidance for procurement audit developed by the INTOSAI Task Force on Public procurement audit	<u>WGPPA, CAS, PAS and FAAS</u> <u>Possibly liaise with project group 2.7 to avoid overlaps</u>	GUID
2.12	International Pronouncement on Jurisdictional Activities of SAIs	To provide an internationally recognized pronouncement on the jurisdictional activities of SAIs.		Working group on value and benefits of SAIs (Forum of Jurisdictional SAIs); CAS	GUID

Priority 3 - Strengthening INTOSAI Professional Pronouncements beyond 2019 (Table 4)

N°	Considerations (preliminary)	Material to be reviewed or included as sources	Preliminary group may be drawn from	Category
3.1	Global INTOSAI messages on SDGs in the context of the INTOSAI framework of professional pronouncements and possible needs for guidance.	Outcome of Theme 1 of INCOSAI in Abu Dhabi ISSAI 5130 (WGEA) FIPP's dialogue with the UN over technical standard setting issues; Material from GALF meeting of 2016; IDI guidance on preparedness; Various material produced by the KSC; In light of INTOSAI-Ps and ISSAI 100. UN Development Strategy 'Transforming our World: The 2030 agenda for sustainable development'	General INTOSAI Think Tank on SDGs led by SAI UAE; <u>PSC</u> : Ad hoc group ISSAI 100; Performance Audit Subcommittee; Compliance Audit Subcommittee; Financial Audit and Accounting Subcommittee; <u>KSC</u> : Working Group on Environmental Auditing; Working Group on the Fight Against Corruption and Money Laundering; Working Group on Key National Indicators; Working Group on Audit of Extractive Industries; Working Group on Financial Modernization and Regulatory Reform; <u>CBC</u> :	To be determined
3.2	Global INTOSAI messages about audit arrangements and independent standard setting in the context of the INTOSAI framework of professional pronouncements.	Theme 2 of INCOSAI; INTOSAI GOV 9200; INTOSAI GOV 9300 (endorsed 2016 changed to GUID); In light of INTOSAI-P 10; INTOSAI-P12 and ISSAI 100.	<u>PSC</u> : Ad hoc group INTOSAI GOV 9200; Ad hoc group INTOSAI-P 10; Ad hoc group ISSAI 100. <u>KSC</u> : Ad hoc group INTOSAI-P 12; Ad hoc group INTOSAI GOV 9300.	To be determined (May result in two separate projects)
3.3	Competency pronouncements. The project is intended to address the need for professional pronouncements for auditor competence, as identified in the newly revised IFPP	ISSAI 40, ISSAI 30, IDI documents, AFROSAI-E Manuals. CBC's position paper on competency framework and submission to INCOSAI IFAC IAESB materials	<u>PSC</u> : Performance Audit Subcommittee ; Financial Audit and Accounting Subcommittee ; Compliance Audit Subcommittee. <u>CBC</u> : Task Group for INTOSAI Auditor Certification <u>KSC</u> :	COMPs
3.4	Providing a clear set of INTOSAI Core Principles	Consider eliminating duplication and streamlining the	<u>PSC</u> : Performance Audit Subcommittee ;	INTOSAI P

		content of ISSAI 10,12 and 20 and identify any possible gaps	Financial Audit and Accounting Subcommittee ; Compliance Audit Subcommittee. <u>KSC</u> : <u>CBC</u> :	
3.5	Consolidate and refining the organizational requirements for SAls	First, analyse the need to provide improved guidance on organizational issues such as independence, adoption of standards and quality control. Based on this, consider Draw on outcome from project 2.4. Consider the elimination of duplication and identify gaps: ISSAI 11 and ISSAI 21 Paper on setting up PA function (Annex of "old" 3100); ISSAIs 130 and 140 and the accompanying tools on quality control (ISSAI 140 to be reviewed by 2019); SAI PMF; ISSAIs 5000, 5140, 5600, and ISSAI 5800 (endorsed in 2016 and changed to GUID) In light of principles on organizational issues in ISSAI 100 ISSAI 130 ISSAI 140 (to be reviewed by 2019) Consider also in light of ISSAI 100 and the INTOSAI-Ps	PSC: Performance Audit Subcommittee; Financial Audit and Accounting Subcommittee; Compliance Audit Subcommittee. CBC: KSC: Ad hoc groups on ISSAI 11, 21, 40 and 100 (dissolved); Performance Audit Subcommittee (ISSAI 3100). Financial Audit and Accounting Subcommittee ; Compliance Audit Subcommittee <u>KSC</u> : Ad hoc group on ISSAI 5000 (dissolved); The Working Group on Environmental Auditing (ISSAI 5140). <u>CBC and IDI</u> : Governance and operational lead on SAIPMF Subcommittee on Peer Review (ISSAI 5600); Subcommittee on Cooperative Audits (ISSAI 5800).	ISSAI 130-199 SAI organisational requirements ISSAI 130-199 SAI organisational guidance GUID 1900-1999
3.6	Cross-cutting issues in ISSAI 3000 and 4000 – requirements for direct reporting engagements and guidance on related technical issues	Consider common areas and alignment in ISSAI 3000 ISSAI 4000 Consider guidance on technical issues such as assurance and audit risk in the context of performance audit and other direct reporting engagements .	<u>PSC</u> : Performance Audit Subcommittee ; Compliance Audit Subcommittee. ISSAI 100-ad hoc group <u>CBC</u> : <u>KSC</u> :	GUID/ ISSAI
3.7	Auditing of implementation of state budgets and consolidated state accounts	Material from FAAS, CAS Experience obtained by the INTOSAI Regions and external parties (such as the World Bank) Other sources	<u>PSC</u> : Performance Audit Subcommittee ; Financial Audit and Accounting Subcommittee, Compliance Audit Subcommittee. <u>CBC</u> : <u>KSC</u> : <u>INTOSAI Regions</u> :	GUID/ ISSAI

3.8	Obtaining an understanding of Economy, Efficiency and Effectiveness of an entity and applying relevant methods in the context of a performance audit	Material from PAS and other sources	<u>PSC:</u> Performance Audit Subcommittee ; Financial Audit and Accounting Subcommittee. Compliance Audit Subcommittee. <u>KSC:</u> <u>CBC:</u>	GUID/ ISSAI
3.9	Obtaining an understanding of laws and regulations and other authorities regulating public entities in the context of a compliance audit	Material from CAS and other sources	<u>PSC:</u> Performance Audit Subcommittee ; Financial Audit and Accounting Subcommittee. Compliance Audit Subcommittee. <u>KSC:</u> <u>CBC:</u>	GUID/ ISSAI
3.10	Audit of Key National Indicators - Expressed need for guidance to undertake mandate of SAIs to audit and give assurance on performance indicators.	Existing material reviewed National level guidance of some SAIs.	<u>WGKNI, CAS, PAS and FAAS.</u> <u>Expert group led by SAI UAE on SDGs.</u>	GUID



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CALENDAR FOR SDP 2020-2022

The new “Due Process for INTOSAI Professional Pronouncements”, endorsed at INCOSAI 2016, introduced a new instrument in the standard setting process – the Strategic Development Plan (SDP). This refers to a general strategy and a working plan for the development of the INTOSAI framework of professional pronouncements.

Regarding the preparation of the SDP, the “Due Process for INTOSAI’s framework of professional pronouncements” establishes that:

- the decision on the organization of the planning process and the content of the plan should be taken by the PSC Steering Committee with the consent of the chairs of the CBC and KSC, and shall be based on proposals elaborated by FIPP;
- any INTOSAI member or other interested parties may provide suggestions in this regard for consideration and prioritization in the planning process;
- the planning process shall include public consultations to encourage input from all interested parties as a minimum every three years;
- the PSC and the chairs of the CBC and KSC ascertain that all relevant needs are addressed by the strategic development plan in line with the objectives of goal 1,2 and 3 of INTOSAI’s strategic plan.

To guarantee that all these requirements are followed, that the development of the SDP is based on an ample consultation within INTOSAI and also with relevant external stakeholders, the PSC Chair will initiate the process for the preparation of the next SDP in the beginning of 2018, as proposed on the timeline below. This should provide enough time to take all the steps needed to develop a plan that to ensure that the next SDP reflects the needs of the INTOSAI community.

Timeline for Preparation of 2020-2022 strategic development plan				
1	One month	FIPP considers how 2020-2022 SDP planning procedure should be organised and sends suggestions on SDP procedure to PSC secretariat	06	2018
2	One month	PSC-SC considers FIPP suggestions on SDP procedure and fixes process	07	
3	One month	PSC Secretariat prepares invitation to make suggestions for the 2020-2022 SDP	08	
4	Three months	Comment period, including consultation by PSC-SC with external stakeholders	09	
			10	
			11	
5	Two months	PSC secretariat analyses comments received / Advisory partners invited to comment on procedure followed	12	2019
			01	
6	Two months	Based on comments received and opinion of Advisory Partners, FIPP proposes priorities for SDP	02	
			03	
7	Three months	PSC-SC , including goal chairs, finalises proposed SDP and consults with all affected parties	04	
			05	
			06	
8	(One-and-a-half-month)	PSC-SC approves SDP	07	
			08	
9	One month	Transmission to GB	09	
10		GB endorses SDP	10	

Terms of Reference

November 2017



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1. Introduction

The Professional Standards Committee (PSC) was established as a result of the first INTOSAI Strategic Plan approval by the XVIII INCOSAI, in Budapest, in 2004. This Strategic Plan, adopted for the period 2005-2010, was based on four main strategic goals. The first one was “Accountability and Professional Standards” and its achievement was assigned to the Professional Standards Committee (PSC).

In November of 2010, in Johannesburg, the XX INCOSAI endorsed 35 ISSAIs and two INTOSAI GOVs that had been approved by the INTOSAI Governing Board. Subsequently, the XX INCOSAI called upon INTOSAI members and other stakeholders to use the ISSAI framework as a common frame of reference for public sector auditing and to implement the ISSAIs in accordance with their mandate and legislation.

In the following years, the PSC focused its efforts on the ISSAI Framework Harmonization Project, which resulted in a new set of auditing principles, the current ISSAIs 100, 200, 300 and 400. The XXI INCOSAI, held in Beijing in 2013, endorsed “ISSAI 100 - Fundamental Principles of Public-Sector Auditing”, “ISSAI 200 – Fundamental Principles of Financial Auditing”, “ISSAI 300 - Fundamental Principles of Performance Auditing”, and “ISSAI 400 - Fundamental Principles of Compliance Auditing”. This was a landmark for the INTOSAI standard-setting function. The Fundamental Principles became the reference from which new improvements in the ISSAI framework may take place.

Aiming at strengthening INTOSAI as an international standard-setting organization, a new structure for the standard-setting function was approved by the XXII INCOSAI (Abu Dhabi, 2016). The Forum for INTOSAI’s Professional Pronouncements (FIPP) was created to analyze and approve new pronouncements, ensuring a single entry into the ISSAI framework. At the same time, roles were reassigned, new documents regulating these roles were approved and a careful review of the ISSAI framework was launched.

As part of this process, the ISSAI Framework is to be revised, with the purpose of enhancing the clarity and credibility of INTOSAI’s professional pronouncements, with a view to making them an authoritative framework for public sector auditing.

In the context of these changes, the PSC has been discussing its new responsibilities and challenges. These Terms of Reference mirror these changes, describing PSC tasks, structure, main outcomes and products, as well as other aspects essential for the fulfilment of its mission.

Throughout this document, the term “PSC Chair” should be taken to mean the PSC goal leadership Chair and Vice-Chair team unless explicitly stated or contextually obvious to be otherwise.

2. Purpose

The Strategic Plan of INTOSAI 2017-2022 establishes that the Strategic Goal 1 – Professional Standards is to “Promote strong, independent, and multidisciplinary SAIs and encourage good governance, by: 1) Providing and maintaining International Standards of Supreme Audit Institutions (ISSAI); and 2) Contributing to the development and adoption of appropriate and effective professional standards”.

According to the Strategic Plan, the Professional Standards Committee (PSC) leads INTOSAI’s “efforts to provide relevant, professional and clear standards that add credibility to the work of the individual auditor and the resulting audit reports”.

3. Mandate

The PSC mandate, approved by Governing Board in December 2016, is closely aligned with the current INTOSAI Strategic Plan. The following main objectives will be pursued by the PSC in the period 2017-2019 (the full text of the “PSC Mandate 2017-2019” can be consulted separately):

1. Provide for a strong organizational structure to support the standard-setting process.
2. Offer strategic guidance and overall coordination of the standard-setting process.
3. Consolidate the Standards Framework.
4. Support capacity development initiatives for the Implementation of INTOSAI Standards.
5. Monitor the implementation and adoption of the standards.

4. Structure and composition

The PSC makes up the INTOSAI structure for the standard-setting function together with the Forum for INTOSAI’s Professional Pronouncements (FIPP)

4.1. The organization of the PSC

- the PSC Steering Committee
- the PSC Chair
- the PSC Vice-Chair
- the Compliance Audit Subcommittee (CAS)
- the Financial Audit and Accounting Subcommittee (FAAS)
- the Performance Audit Subcommittee (PAS)
- the Internal Control Subcommittee (ICS)
- ad hoc project or study groups that might be created

4.2. Composition of the PSC Steering Committee

Members: PSC Chair and Vice-Chair; CAS, FAAS, PAS and ICS Chairs, Chairs of ad hoc groups, CBC Chair, KSC Chair and one representative of AFROSAI, AFROSAI-E, AFROSAI-F, ARABOSAI, ASOSAI, CAROSAI, EUROSAI, OLACEFS and PASAI.

Following the merger of the Financial Audit Subcommittee and the Accounting and Reporting Subcommittee, the former chair of the Accounting and Reporting Subcommittee will remain a member of the PSC-SC during the transitional period.

Observers: the INTOSAI Chairman, the First Vice-Chairman of INTOSAI, the INTOSAI Secretary-General, the Chair of FIPP, the Chair of Policy, Finance and Administration Committee (PFAC), the Director-General of IDI, the President of the INTOSAI Journal and the PSC advisory partners (see item 8 below).

Other observers may be admitted to the PSC Steering Committee for defined periods. A reasoned request should be made to the PSC Chair, who will forward the application along with a recommendation to the PSC SC for decision.

The current PSC advisory partners are the International Federation of Accountants (IFAC), the Institute of Internal Auditors (IIA) and the World Bank.

5. Roles and responsibilities¹

5.1 PSC

The PSC is responsible for achieving the objectives defined under goal 1 of the Strategic Plan and ensuring the effective operation of INTOSAI's standard-setting activities in line with the Strategic Plan and the Due Process for INTOSAI Professional Standards.

During the period 2017-2019, special attention will be given by the PSC to the following specific key issues:

1. Govern the FIPP and maintain its membership;

¹ A list of the responsibilities of the PSC Steering Committee, the PSC Chair and the Subcommittees, according to the "Handbook for INTOSAI Committees (2014)", the "Due Process for INTOSAI's framework of professional pronouncements" and the paper "Governance of the Forum for INTOSAI Professional Pronouncements (FIPP)" can be found in **Annex 2**.

2. Establish, update and monitor the implementation of the Strategic Development Plan (SDP)² for the development of INTOSAI's Framework of Professional Pronouncements (IFPP); and
3. Drive the implementation of the new IFPP by INCOSAI 2019

5.2 PSC Steering Committee (PSC-SC)³

The PSC Steering Committee coordinates the work of the PSC and ensures that the PSC supports the objectives and goals of INTOSAI.

Furthermore, the PSC-SC is responsible for the governance of FIPP and for assuring that FIPP works in the public interest on behalf of INTOSAI membership and does not become too self-sufficiently independent and technocratic. In this regard the PSC-SC:

- gives guidance and input to FIPP's work;
- approves changes to FIPP's Terms of Reference;
- approves the SDP;
- decides about any issues in relation to the application and the procedures of the due process;
- establishes any supplementary procedures needed to make the due process work well in practice;
- decides about the use of the budget for standard-setting activities (INTOSAI funds or voluntary contributions);
- leads INTOSAI's collaboration with other international standard-setters.

5.3 PSC Chair

The PSC Chair is responsible for representing the PSC in all INTOSAI bodies and meetings. The Chair is also responsible for the objectives of INTOSAI's Strategic Plan for Goal 1 towards the INTOSAI Governing Board. Consequently, it takes the necessary initiatives to ensure the effectiveness of INTOSAI's standard-setting efforts, coordinating these efforts and guaranteeing their alignment with the Strategic Plan.

² The SDP is a general strategy and working plan for the development of the INTOSAI Framework of Professional Pronouncements). It is prepared by the FIPP, based on inputs received from the CBC, KSC, PSC and their subcommittees and working groups, and assembles all initiatives to develop, revise or withdraw professional pronouncements.

³ Annex 4 establishes detailed mechanisms by which the PSC-SC should govern the work done by FIPP.

The PSC Chair is responsible for facilitating the availability of information about the INTOSAI standard-setting function. It is also responsible for facilitating internal and external communication. For these purposes, the Chair maintains websites for both the PSC and its Subcommittees and the ISSAI framework.

5.4 Joint responsibilities with the CBC and KSC Chairs

The PSC Chair shares responsibilities with the Chairs of CBC and KSC, since the collaboration between them can ensure that the activities of standard-setting, capacity development and knowledge-sharing support each other within INTOSAI. Some of the responsibilities shared by the Goal Chairs derive from the executive function in relation to the FIPP. This executive function includes responsibility for coordination, organization and timeliness of individual projects to develop standards and other pronouncements, as shown in the workflow in Annex 1. It also comprises responsibility for FIPP's membership personnel matters, which is guided by the FIPP's Terms of Reference and the "Forum for INTOSAI Professional Pronouncements (FIPP) Rotation Policy".

The PSC Chair is the leading part in the collaboration between the Goal Chairs on any matters relating to FIPP.

5.5 Subcommittees and project groups

The Subcommittees are standing PSC bodies responsible for the development of new standards and the revision of existing ones, as stated in the SDP, in accordance with the Due Process. The Subcommittees also provide technical expertise in the main types of audit (financial, performance and compliance) to other INTOSAI working groups charged with undertaking SDP projects.

The PSC Steering Committee may decide to establish an ad hoc project group to develop a project in the approved SDP. The group will function during a defined period or until an agreed outcome has been reached.

The ad hoc project group has the same responsibilities as the subcommittee. The Chairs of both have also the same responsibilities. Their roles and responsibilities are informed in their respective terms of reference.

Considering the Subcommittees' and Project Groups' objectives, their members are expected to have an active participation in meetings, in the development of projects. They are also expected to take part in the internal approval of Subcommittees' terms of reference, work plans, drafts of pronouncements and other documents and products.

6. Membership

The PSC is composed of all the members of each subcommittee and ad hoc project group. SAIs that do not participate in the work of the PSC subcommittees can attend the full meetings of the PSC during congresses as observers.

An SAI interested in becoming a PSC subcommittee member should contact the Chair of the Subcommittee of interest and request membership. Every SAI admitted, as a Subcommittee member should commit to fulfil the responsibilities listed in Annex 2. The new SAI member should nominate a representative in the Subcommittee and seek personal continuity in this representation.

The PSC Chair informs INTOSAI's General Secretariat about the membership of the PSC and updates this information whenever necessary, while the Subcommittee Chairs inform the PSC Chair about the Subcommittee's membership and its changes.

The complete list of PSC members and Subcommittees members will be posted on the PSC website.

The PSC and the Subcommittees should seek a balanced representation of the INTOSAI membership, concerning language, SAI model and INTOSAI Regions.

7. INTOSAI stakeholders

The PSC seeks to work closely with the other Goal Chairs. The close cooperation between them contributes to the successful development of the ISSAI framework, as well as to the good functioning of the FIPP. The best coordination with the FIPP is also pursued in order to achieve the best possible results in the standard-setting activities.

The PSC seeks to integrate in its work feedback from the Regional Organizations and the IDI about ISSAI implementation issues. The PSC Chair encourages the active participation of the Regional Organizations in the PSC Steering Committee's debates and decisions.

The PSC cooperates closely and constructively with the INTOSAI Secretary-General, the Policy, Finance and Administration Committee (PFAC), the Supervisory Committee on Emerging Issues (SCEI) and other INTOSAI bodies. This cooperation reflects the PSC willingness to collaborate with all INTOSAI bodies and initiatives and contributes to the achievement of Goal 1 strategic objectives.

8. External stakeholders

Aiming at exchanging experience with external stakeholders and receiving systematized feedback and inputs to the standard setting work, the PSC counts on the support of advisory partners and consultative bodies.

Advisory partners are external stakeholders that provide comments to the Strategic Development Plan, participate in the PSC Steering Committee meetings as permanent observers and have other functions agreed between them and the PSC Chair, which may be set out in a memorandum of understanding. Currently (June of 2017), the PSC advisory partners are the World Bank, the IIA and the IFAC.

Consultative bodies are external stakeholders that participate in a “virtual community” that provide comments and suggestions to the Strategic Development Plan, individual projects and exposure drafts of pronouncements when requested by the PSC, by ad hoc groups undertaking SDP projects or , by the FIPP Chair.

9. Products and outcomes

9.1 Projects

The PSC Chair refers to the FIPP individual project proposals for the development of standards and other pronouncements for approval together with any remarks the chair may wish to provide. The proposals should include a reference to the alignment with the INTOSAI strategic objectives and the demands of the INTOSAI community, among other points required by the Due Process.

The PSC Chair also presents to the Governing Board the SDP for professional pronouncements for endorsement.

9.2 Drafts of Standards and other pronouncements

The PSC Chair presents to the Governing Board the drafts of standards and other pronouncements produced by its Subcommittees and ad hoc project groups and approved as endorsement versions by the FIPP. The Chair provides assurance to the Governing Board that the Due Process was observed during the development of these pronouncements. The responsible Subcommittee can make an oral presentation of the draft to the Governing Board as deemed necessary.

9.3 Work plan

The PSC develops triannual work plans based on the INTOSAI Strategic Plan and the PSC Mandate. The work plan’s period should coincide with the period between INTOSAI Congresses. A reduced version of the PSC work plan is available at www.psc-intosai.org and can be found in Annex 3 of these Terms of Reference.

Each subcommittee and project group develops its own triennial work plan.

9.4 Annual reports

Annually, the PSC Chair reports to the INTOSAI Governing Board, focusing on the implementation of the strategic objectives for Goal 1 and the committee's contribution to the cross-cutting priorities, as set out in the INTOSAI Strategic Plan 2017-2022.. The report encompasses the activities developed by the Steering Committee, the Chair and Vice-Chair, the Subcommittees and the project groups.

Every three years, the PSC Chair will also report to the Congress on the Committee's activities since the previous INCOSAI.

10. Strategic objective review

The PSC Chair will lead the assessment of progress toward the strategic objectives on Goal 1, working in close collaboration with the PSC subcommittees, the other Goal Chairs and the General Secretariat.

The PSC Chair and relevant contributors (other INTOSAI bodies, regional organizations, and external stakeholders) will review the results achieved under each objective based on agreed-upon benchmarks, such as measured performance toward established targets and the completion of major tasks or deliverables. Attention will also be given to progress made in advancing INTOSAI's cross-cutting priorities.

Once each objective has been assessed, the PSC Chair will prioritize the action items and steps needed to continue progress, improve performance or to manage risks.

The review and the prioritization of action items shall be included in the annual reports mentioned in the item 9.5 above.

11. Meetings

The PSC (Full Committee) meets every three years at the occasion of the INCOSAI. The PSC Steering Committee meets every year. In connection with the Steering Committee meetings, the PSC Chair and the Subcommittees' Chairs may also hold annual meetings.

The decisions made by the PSC Steering Committee, during meetings or through extraordinary hearings, will be by consensus as far as possible. When consensus is not reached, the subjects of discussion will be decided by a simple majority of votes. The PSC Steering Committee's observers do not vote.

A simple majority of votes will decide any issue taken to the decision of the full Committee.

The PSC Chair, in coordination with the SAI that hosted the meeting, is responsible for the respective minutes.

The PSC Chair may convene extraordinary meetings.

Between the meetings, the PSC bodies will stay in contact. The PSC Chair and Vice-Chair will work to inform the PSC members of important issues through e-mail and the PSC website.

12. Language

The working language of the PSC is English.

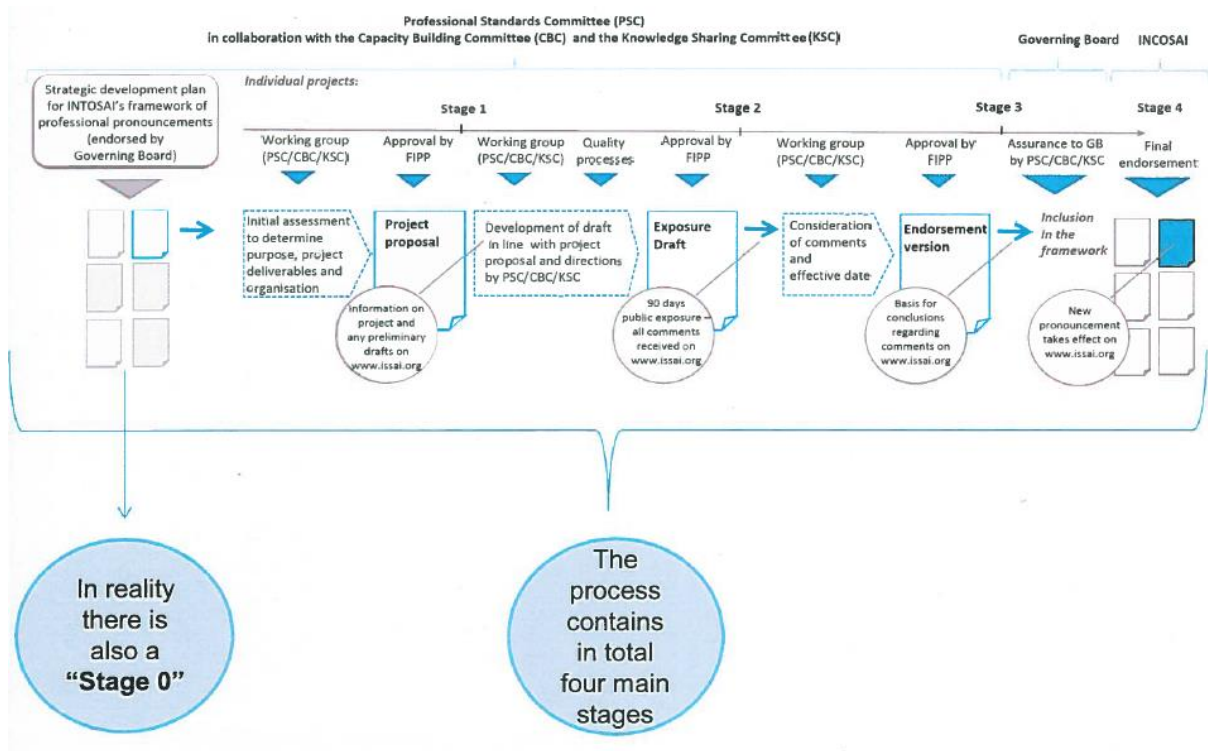
13. Coverage of costs

All costs resulting from the participation of one SAI in the PSC, including those on account of participation in meetings, are borne by the SAI. The direct meeting expenses alone are met by the SAI that hosts the meeting.

The contributions from the INTOSAI income (item 6 of the INTOSAI Statutes), as well as any voluntary contributions received by the PSC will be used according to the destination approved by the PSC Steering Committee.

ANNEX 1

DUE PROCESS FLOW DIAGRAM



ANNEX 2

ROLES AND RESPONSIBILITIES

(As detailed in the paper “Governance of the Forum for INTOSAI Professional Pronouncements (FIPP)”, presented by the PSC Chair to the Governing Board in 2016, the “Handbook for INTOSAI Committees (2014)” and the “Due Process for INTOSAI’s framework of professional pronouncements”, approved by Governing Board in 2016.”

PSC Steering Committee (with regard to standard-setting):

- Strategic development plan (SDP) for INTOSAI’s framework of pronouncements: Decision on the organization of the planning process and approval, based on proposals developed by FIPP, put forward by subcommittees and working groups, or proposals from other parties.
- Any issues in relation to the application and the procedures of the Due Process.
- The establishment of any supplementary procedures needed to make the due process work well in practice.
- Approval of the budget for INTOSAI standard-setting activities (INTOSAI funds or voluntary contributions).
- Supporting functions for INTOSAI standard-setting activities.
- INTOSAI’s collaboration with other international standard-setters.
- Raising awareness on FIPP and promoting the ISSAIs in the INTOSAI community and among external stakeholders.
- Approval of changes in the PSC’s terms of reference before they are presented to the Governing Board.

PSC Steering Committee (with regard to the governance of the FIPP):

- Driving the long-term development of FIPP.
- Providing input and guidance to the work of FIPP.
- Ensuring that FIPP contributes to reliable and effective standard setting in accordance with the key strategies defined for goal 1 in INTOSAI’s Strategic Plan.
- Encouraging relevant candidates for FIPP to come forward through the nomination process organized by the goal chairs.
- Approving the changes in FIPP’s terms of reference before they are presented to the Governing Board.

- Providing a linkage of FIPP to INTOSAI's regions, the PSC's subcommittees, the CBC and the KSC as well as other INTOSAI bodies.

PSC Chair (general responsibilities towards other INTOSAI bodies):

- Representing the PSC in the Governing Board meetings.
- Being responsible for the objectives of INTOSAI's strategic plan for goal 1 towards the INTOSAI Governing Board and INCOSAI.
- Informing INTOSAI's General Secretariat about the membership of the PSC and updating this information whenever necessary.
- Reporting on an annual basis to the INTOSAI Governing Board on the results and outcomes, issues for follow-up and expected outcomes, as well as providing an overview of new, revised and/or withdrawn pronouncements.
- Reporting on a triennial basis to the INCOSAI on the Committee's activities since the previous INCOSAI.

PSC Chair (with regard to standard-setting):

- Representing the PSC in the meetings of the goal chairs.
- Consulting the other goal chairs as relevant, prior to and in between the Steering Committee meetings, on any matters that may have implications for goals 2 and 3.
- Ensuring an effective division of tasks between the three steering committees for goals 1, 2 and 3 in order to minimize overlaps between their agendas, in conjunction with other goal chairs.
- Taking initiatives as needed to ensure the overall effectiveness of INTOSAI's standard-setting efforts.
- Preparing the budget for INTOSAI standard-setting activities (INTOSAI funds or voluntary contributions), as provided for by the principles for financial contributions to INTOSAI standard-setting function.
- Drawing on the subcommittee chairs as relevant in order to coordinate the development and implementation of INTOSAI professional pronouncements.
- Approving changes in the Subcommittees' terms of reference before they are presented to the Governing Board.
- Ensuring the coordination, organization and timeliness of individual projects, led by the PSC Subcommittees or ad hoc project groups acting under the responsibility of the PSC, to develop standards and other pronouncements.
- Ensuring, for all projects, the alignment with INTOSAI's strategic goals and the application of the revised due process.

- Keeping a consolidated record of the status and progress of all planned and ongoing projects to develop, maintain, revise or withdraw professional pronouncements, in conjunction with the other goal chairs.
- Ascertaining that the subcommittees perform their designated tasks in line with the due process, and in compliance with any further directions established through the individual project proposals.
- Referring the drafts produced by the subcommittees to FIPP for approval together with any remarks considered necessary.
- Referring the final pronouncements prepared by the subcommittees to the INTOSAI Governing Board, assuring the Board, on a project-by-project basis, that due process has been followed in all aspects.
- Ensuring maintenance of the pronouncements when the subcommittee that originally developed the guidance no longer exists or wishes to be relieved of the maintenance responsibility.
- Assuring that only minor editorial and conforming changes are made through the procedure established for that purpose.
- Overseeing that all pronouncements are publicly exposed for comments
- Designating INTOSAI representatives to other international standard-setting bodies.

PSC Chair (with regard to the governance of the FIPP):

- Opening calls for nomination and handling the process of selection, appointment and rotation of FIPP members to be presented to the Governing Board for final endorsement, in conjunction with other goal chairs.
- Selecting the Chair of the FIPP, to be presented to Governing Board, in conjunction with other goal chairs.
- Handling any other FIPP personnel matters, in conjunction with the other goal chairs.
- Being the leading part in the collaboration on any matters relating to FIPP.
- Taking initiatives as needed to ensure the effective operation of FIPP in line with FIPP's terms of reference, and establish the appropriate mechanisms in that regard, in conjunction with the Chairs of CBC and KSC.
- Representing the PSC as observer in FIPP's meetings.

Subcommittees and Project Groups:

- Providing technical expertise in the main types of audits defined by the INTOSAI to PSC and other INTOSAI bodies' projects.
- Preparing initial assessments for new pronouncements.

- Developing project proposals for the development of new pronouncements based on a thorough initial assessment.
- Participating in projects included in the SDP that are led by other INTOSAI groups.
- Applying the appropriate quality processes to the development of the pronouncements, according to the pertinent provisions of the Due Process.
- Proposing the inclusion of new projects in the strategic development plan.
- Preparing drafts of new pronouncements for submission to the FIPP.
- Seeking guidance from FIPP during the initiation and development of a project, whenever necessary.
- Seeking guidance from the PSC Chair or the PSC Steering Committee for alignment of a project to the INTOSAI's strategic goals and priorities or whenever necessary.
- Deciding to publish preliminary drafts on the ISSAI website for information or in order to encourage input to the work.
- Exposing the drafts of pronouncements approved by FIPP to INTOSAI members and other stakeholders.
- Notifying all INTOSAI members and other relevant stakeholders of the exposure periods.
- Collecting and analyzing the comments received during the exposure period, exercising judgement to accommodate all relevant considerations.
- Forwarding the comments and the Subcommittee's considerations to FIPP.
- Considering, in conjunction with FIPP, if the changes in the draft require re-exposure.
- Arrange that the endorsement versions be translated into the INTOSAI official languages.
- Supplementing the report made by the Committee Chair to the Governing Board with an oral presentation about endorsement versions of pronouncements, whenever necessary.
- Preparing executive summaries about new pronouncements for publication on the INTOSAI website.
- Deciding on maintenance frequency for each professional pronouncement produced by the subcommittee.
- Following-up and maintaining the pronouncements.
- Proposing editorial changes to professional pronouncements.
- Developing a version of a revised pronouncement, explaining the reasons for the proposed changes and forwarding the final document for approval by FIPP.
- Proposing and justifying withdrawals of professional pronouncements.

Subcommittees' Chairs (with regard to their capacity as integral part of the PSC):

- Participating in the PSC Steering Committee meetings.
- Presenting annual reports to the PSC Steering Committee.
- Preparing or updating the subcommittee's Terms of Reference for submission to the PSC Chair and to the Governing Board.
- Keeping contact with the PSC Chair.
- Keeping contact with the FIPP Chair.
- Informing the PSC Chair and the INTOSAI General Secretariat about the membership of the PSC Subcommittee and updating this information whenever necessary.
- Informing the SAI Members that comprise the Subcommittee on its webpage.
- Presenting the Subcommittee's part of the PSC report to the Governing Board.

Subcommittees' Chairs (with regard to the subcommittees):

- Coordinating all activities of the subcommittee.
- Chairing the subcommittee meetings.
- Circulating drafts of subcommittee's documents among members for internal approval.
- Managing the subcommittee's webpage in the PSC website.

Subcommittees' members:

- Participating in the approval of subcommittee's terms of reference, work plans, progress reports and other subcommittee's documents.
- Participating in the development of projects.
- Participating in the writing of new documents and revision of existing ones.
- Participating in the full Committee and subcommittee meetings.

ANNEX 3

WORK PLAN 2017-2019

1. What we take over (and guarantee to duly continue)

- 1.1 Lead standard-setting:
 - Coordinate, guide and support the work of the subcommittees and monitor the work plans' implementation
 - Oversee standard-setting
- 1.2 Promote the visibility of the INTOSAI standards:
 - Maintain PSC and ISSAI websites
 - Contribute to INTOSAI Journal
- 1.3 Maintain close relations and cooperation with other INTOSAI bodies
- 1.4 Maintain close relations and cooperation with external stakeholders:

2. PSC after INCOSAI 2016 (and how we prepare for the changes)

- 2.1 PSC Structure
 - Propose and implement a new composition for the PSC SC
 - Invite the sub-committees to assess whether their current structures, sizes and compositions remain appropriate in the light of the revised ISSAI framework and align their terms of reference to the new process of standard-setting.
 - Propose and implement an independent advisory function.

- Assess needs for and investigate the possibilities of establishing a permanent technical support function, in cooperation with other INTOSAI bodies.

2.2 PSC role of overseeing standard-setting (new «due process»)

- Take “*overall responsibility for ensuring the effective operation of INTOSAI’s standard-setting activities in line with this due process*” and decide upon and put in place the necessary systems and procedures for doing this.
- Approve the strategic development plan and keep consolidated record of all planned and ongoing projects concerning INTOSAI pronouncements.
- Provide assurance to the GB that the due process has been followed in the PSC subcommittees’ projects
- Refer pronouncements of its subcommittees to the FIPP for approval
- Governance of the FIPP.

2.3 Monitor the implementation of INTOSAI’s strategic plan.

3. Drive into the future

3.1 Consolidate the ISSAIs framework and the existing standards

- Work to improve quality of INTOSAI standards
- Work to improve consistency among INTOSAI standards
- Work towards internal and external credibility of the standards

3.2 Support the development of education/competence standards

- Cooperate with CBC on standards
- Cooperate to the development of a basis for competency framework and certification program

3.3 Support the implementation of INTOSAI standards

- Outreach – promote INTOSAI standards in the INTOSAI Regions and national SAIs

- Implement feedback-circle into standard setting process
- Cooperate with IDI, CBC and INTOSAI regions in the implementation processes
- Develop a roadmap for ISSAI implementation in cooperation with IDI, CBC and KSC

ANNEX 4

GOVERNANCE OF FIPP

Section I

In order to ensure transparency and accountability in the standard-setting process, the PSC-SC should verify:

- that FIPP established working procedures and followed them during its activities in due process, especially regarding decision making procedures (FIPP ToR)
- that FIPP publishes:
 - a) its terms of reference, working procedures and other administrative documents that may interest the public involved in standard setting;
 - b) its reports and decisions involving the analysis of individual pronouncements, in each of the phases established in due process;
 - c) minutes of their meetings;
 - d) answers to questions on the status and interpretation of the pronouncements;
 - e) common INTOSAI positions on standards-related issues, for instance, on technical matters that are considered by other standard-setting bodies

Section II

The PSC-SC shall assure that the following measures are taken by FIPP during the various stages of due process:

1. Regarding the Strategic Development Plan (SDP), that:
 - 1.1 FIPP's proposal for the planning process was forwarded to the PSC-SC at least-30 days before the deadline for approval;
 - 1.2 the planning process proposal contemplates public consultations with internal and external stakeholders (the interested parties shall have at least 90 days to provide suggestions on the SDP);

1.3 the suggestions received from interested parties were properly analysed and, if the suggestion is not included in the SDP, if the analysis was communicated to the interested parties concerned;

1.4 the SDP proposal explains the basis for deciding the projects to be included in the plan;

1.5 the SDP proposal was sent to PSC-SC at least 60 days before the deadline for approval.

2. Regarding the project proposal phase, that:

2.1 a FIPP member was assigned to act as liaison to the project group responsible for developing the specific project;

2.2 the project proposal presented by the project group was analysed and, in the case of non-approval, if the proper reasoning was presented and the adjustments to be made were specified;

2.3 the project proposal's approval considered the following aspects:

that the project addresses the issues identified in the initial assessment;

that the project proposal provides directions sufficient to define the scope of applicability of the proposed pronouncement and does not lead to overlaps and inconsistencies with other professional pronouncements in the framework;

the organisation and timeline of the project;

the working title and proposed numbering according to the classification principles;

3. Regarding the exposure draft phase:

3.1 that the approval considered the following aspects:

the exposure draft fulfils the purpose of the project in line with the directions of the approved project proposal.

the exposure draft is of high quality and relevant quality processes have been performed.

any overlaps and inconsistencies in INTOSAI's framework of professional pronouncements in relation to the proposed text have been appropriately addressed.

the exposure draft and accompanying material can be submitted for public exposure;

the exposure draft was classified in accordance with the classification principles.

3.2 in the case of non-approval, if the proper reasoning was presented and the adjustments to be made were specified.

4. Regarding the endorsement version phase:

4.1 that the approval considered the following aspects:

the changes made to the exposure draft are not so extensive as to require re-exposure of the pronouncement;

the comments provided in the exposure process are appropriately reflected in the endorsement version of the document;

the document can be forwarded to the INTOSAI Governing Board;

4.2 in the case of non-approval, that the proper reasoning was presented and the adjustments to be made were specified;

5. Regarding revising pronouncements (editorial changes), that the approval considered the following aspects:

the changes are of a minor or conforming nature so that the due process described in section 2.2 can be applied and that public exposure is therefore not required;

-the revised pronouncement can be published on www.issai.org and replace the previously endorsed version;

6. Regarding the withdrawal of pronouncements:

6.1 that FIPP approved that the proposal to withdraw a pronouncement from the framework can be submitted for public exposure;

6.2 that FIPP approved:

that the pronouncement can be withdrawn from the framework on www.issai.org.

that the decision to withdraw the pronouncement can be presented to the INTOSAI Governing Board.

6.3 in the case of non-approval, that the proper reasoning was presented

Section III

The FIPP Chairperson shall report to the PSC-SC annually, at least 30 days prior to the annual PSC-SC meeting. The PSC-SC prescribes the content of this report, which should usually include the following elements:

- any specific problems in the implementation of any project that might have an impact upon the quality or timeliness of the project's outputs;
- any proposal to update or amend the strategic development plan, along with explanations;
- any proposal to amend the classification principles to define exemptions from specific requirements of the due process for other categories of pronouncements;
- any proposal to change FIPP's terms of reference;
- any significant change in working procedures;
- any general personnel matters that need to be brought to the attention of the PSC-SC (for example, where a lack of expertise limits FIPP's ability to carry out its functions properly);
- any issues in the application and procedures of due process;
- the need for the establishment of any supplementary due process procedures needed to make the due process work well in practice
- the main results of FIPP's activities that took place in the period since the last report was made to the PSC-SC;
- relevant achievements towards the implementation of Goal 1 strategic objectives;
- an account, by financial year, of the use made of any INTOSAI funds made available and of any balances held of such funds.



INTOSAI
PSC

Professional
Standards
Committee

Proposals for the use of INTOSAI Equity Funds

During the meeting of the Policy, Finance and Administration Committee (PFAC) in September 2017, a decision was made, after a suggestion by the INTOSAI General Secretariat, to invite INTOSAI bodies to put forward projects that could be financed through funds from the INTOSAI reserve.

Following this request, the Professional Standards Committee, in consultation with its subcommittees and the Forum for INTOSAI Professional Pronouncements (FIPP), is presenting the following proposals, in order of priority:

1. Monitoring ISSAI Implementation
2. Revision of Translation of Pronouncements

Project Proposal: Monitoring ISSAI Implementation

<p>A) Description of the area for which funding is requested (identify the need)</p>	<p>Monitoring the implementation of ISSAIs is a complex task. Currently INTOSAI has no mechanism for obtaining data in this regard, or even an agreement on how ISSAI implementation can be objectively demonstrated and followed up in a systematic way. Efforts to obtain data on ISSAI adoption and implementation through surveys have shown contradicting results, so the reliability of these surveys as sources of information may not be assured. This is demonstrated for example, in the upcoming IDI report of the Global Survey 2017 results. Comparing the data from the 2014 IDI Global Survey to the 2017 INTOSAI Global Survey, the 2014 results showed that 100 % of SAIs had adopted the ISSAI standards for financial audit, 97 % for compliance audit and 90 % performance audit. In the 2017 global survey data, the figures are 72% for financial audit, 64% for compliance and 69% for performance audit. So, SAIs are currently reporting a lower level of adoption of ISSAI standards than they did in 2014. Another current survey, conducted on the occasion of the XXII INCOSAI Theme II paper which says that over two thirds of survey respondents say they have either adopted the ISSAIs directly or used them in the development of their own standards.</p> <p>The difficulties to measure level of implementation are also reflected on the data presented by the ICBF report. Scores regarding Domain 4 (audit standards & methodology). In 2013, 6 SAIs reached level 3, in 2014, 4 SAIs reached level 3, in 2015, 10 SAIs reached level 3 and in 2016, 7 SAIs reached level 3 (there are 3 levels and none of the SAIs on the report reached level 4 on these years). The level of variation in only one year periods– decreasing and increasing and decreasing again – show that this difference probably does not necessarily reflect SAI practice but differences in perception and understanding of ISSAI compliance between respondents. It is important to notice that these surveys are self-declaratory (in contrast to SAI PMF and iCAT, which require answers to be back up by evidence).</p> <p>Analysis of data from SAI PMF assessments carried out by 25 SAIs which show that SAIs are putting in place appropriate standards but the challenge is conducting the audits in compliance with those standards and manuals. For financial audits, 32% of SAIs have demonstrated that they have compliant manuals and policies, but only 10% have generally implemented the ISSAIs in practice. These numbers are, respectively, 35% and 25% for compliance audit and 44% and 14% for performance audit.</p> <p>This data from the still limited number of SAIs that carried out SAI-PMF assessments and the self-declaratory surveys are currently the only sources of data available to follow up on the impact of the INTOSAI standard setting process, which is that SAIs successfully apply the standards produced in their audits. Besides not being able to monitor impact of the standard setting activities, the lack of more detailed data on implementation of standards also prevents feeding problems faced by SAIs back to the standard setting process, in order to improve the quality and relevance of the standards themselves – one of the strategic objectives of the PSC in the 2017-2022 plan.</p>
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	<p>Despite the recognition of the importance of having that kind of information, current efforts to obtain that data by different INTOSAI bodies, as shown above, have fallen short. The IDI, the only INTOSAI body that currently has an active project promoting ISSAI implementation, the 3i programme, has discussed tools that could provide valid information on implementation of ISSAIs and concluded that SAI PMF was the tool they had that could provide such information. The IDI also points out that within the 3i programme there is no capacity to support such monitoring activity (or plans to do so).</p> <p>It is important to notice that these issues described here were identified as part of the risk assessment carried out by PSC as part of the progress report for the year 2017.</p>
B) Link with strategic goal (Which strategic goal(s) does it link to)	Goal 1 – Professional Standards
C) Link with strategic objective (Which strategic objective(s) does it link to and how will it add value to / benefit the strategic objective(s)?)	<p>Strategic Objective 1.2 – Ensure that the ISSAIs are sufficiently clear, relevant and appropriate to make them the preferred solution for INTOSAI’s members. The ISSAIs should be widely recognized by all stakeholders as the authoritative framework for public sector auditing.</p> <p>Strategic Objective 1.5 – Monitor the implementation and adoption of standards and feed any problems or issues back into the standard-setting process to ensure the standards are as useful and relevant as possible.</p> <p>The systematic monitoring of the impact of INTOSAI standard setting, as proposed by strategic objective 1.5, should contribute to making ISSAIs more relevant and appropriate as the preferred solution for INTOSAI’s members.</p>
D) Link with cross-cutting priorities (Which cross-cutting priority (ies) does it address and how will it add value / benefit the strategic priority (ies)?)	<p>Crosscutting priority 3 – Ensuring effective development and coordination among standard-setting, capacity development, and knowledge sharing to support SAIs and improve their performance and effectiveness</p> <p>Crosscutting priority 4 – Creating a strategic and agile INTOSAI that is alert to and capable of responding to emerging international opportunities and risks</p> <p>Crosscutting priority 5 – Building upon, leveraging, and facilitating cooperation and professionalism among the regional organizations of INTOSAI</p> <p>The description of crosscutting priority 3 states that INTOSAI recognizes that the essential task is not just the development of high quality standards and related material but ensuring that SAIs have the capacities and knowledge they need to use the standards and thereby improve the quality of their audits. It also says that</p>

	<p>implementation and maintenance of the ISSAIs and INTOSAI products is an INTOSAI-wide task that requires attention on the global, regional, and country levels, and that INTOSAI fully appreciates that the most carefully crafted audit standards are only valuable if they are useful for, and used by, SAIs. Therefore, reliable data and a monitoring mechanism would be able to contribute to the improvement of standard implementation and help INTOSAI adequately and timely respond to needs of SAIs (and emerging opportunities and risks). In the 3i Program, the INTOSAI program that is promoting ISSAI implementation, the IDI has been working with the INTOSAI Regions. ISSAI implementation is a common interest among Regions and one of the subjects that can be theme of exchange of knowledge, coordinated work and cooperation. The 3i has been developed regionally since 2012 and the experience acquired in one Region is used in other ones. Any implementation programs – including the 3i Program – would benefit from reliable data on implementation in order to understand the needs of the INTOSAI community, and to plan and prioritize the actions involved.</p>
E) Action will be performed by which body (ies)?	<p>The project would be carried out by an outside consultant group, since results obtained so far by the different INTOSAI bodies have not been able to deliver data on the subject. The project would involve a stocktake of current initiatives and practices in INTOSAI bodies, including regional organizations, benchmark with other standard setter, among other sources of information, in order to present possible options for data collection that would not be too burdensome on SAIs but at the same time provide accurate and timely information on ISSAI implementation. Despite the proposal of using an outside consultant group, it would be important align these efforts with on-going projects from INTOSAI bodies, such as the IDI, coordinating efforts and needs. ISSAI implementation can be sensitive information for some SAIs (because of donor support, for example), or rather a subjective issue (despite the definition present in the standards themselves). Due to that, an independent consultant group could be seen as outside and neutral party, possibly allowing them access to more objective and reliable information.</p> <p>It is important to stress that the objective of the proposal is not to conduct a research to obtain one-time data. It is rather to develop options for building a systematic monitoring system of the impact of INTOSAI standards on SAI practice that could be introduced to supply INTOSAI with information on one of its core missions – provide standards for public sector auditing.</p>
F) Estimated cost of the proposal (€)	€ 120,000.00

Project Proposal: Revision of Translations of Pronouncements

<p>A) Description of the area for which funding is requested (identify the need)</p>	<p>Chapter V of the INTOSAI <u>Handbook for Committees</u>, item 5, states:</p> <p><i>“V.5. Language / Translation: All ISSAIs, INTOSAI GOVs and official products, to be adopted by Congress and designed for distribution to members, must be translated in the five official working languages of INTOSAI. Because of the importance of the quality of the translation and the complexity and cost of translation, this is an issue which needs attention. Translations are without exception the responsibility of the Committee.”</i></p> <p><i>(...)</i></p> <p><i>Regardless of how the translations are done, it is critical to ensure the quality of the products.”</i></p> <p>Despite this provision in the <u>Handbook of Committees</u>, not all the documents that became part of the ISSAI Framework are translated into all official languages. There have also been questions regarding the quality of the translations, mainly concerning the consistency on the use of terms. Currently, the INTOSAI principles and standards have all the required translations, but the guidance documents – major part of the Framework – do not. Besides that, there is the need to revise and assure the quality of the translations of the auditing principles and audit standards.</p> <p>According to the <u>Handbook for Committees</u> and the <u>Due Process for INTOSAI Professional Standards</u>, the subcommittee or working group in charge of developing the document is also responsible for translating it into the official INTOSAI languages. This has normally been arranged by tasking one of the subcommittee/working group members with the responsibility of translating the document produced by the Group. Sometimes, however, this arrangement does not function because the Group Chair does not find volunteer SAIs for all five languages, or because the SAI in charge is unable to fulfil the commitment made, or because the SAI staff involved with the theme of the document cannot carry out the revision needed. For one or another reason, not always all the necessary translations are made and not all translations made are properly reviewed.</p> <p>For these reasons, we would like to develop a project to review translations and carry out other ones. Our basis will be the English versions, since they are the original documents produced by all groups. The review of translation will not only take into consideration clarity of the language, but also a review of the technical terms employed in the documents, to allow for more precise and accurate translation, as well as for coherence throughout the framework.</p>
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	<p>The first part of the project will be the revision of the Principles and the ISSAIs of the new IFPP. The principles will comprise the “green block” and the ISSAIs will comprise the “red block” of the new INTOSAI Framework of Professional Pronouncements - IFPP (“INTOSAI Standards”). This set of documents are the founding principles (The Lima Declaration); the core principles; the fundamental principles of public sector auditing; the financial, performance and compliance principles; and the financial, performance and compliance standards.</p> <p>The other part will be the translation of documents that will make up the “blue block” (“INTOSAI Guidance”) related to compliance, financial and performance auditing that have not been translated into all official languages yet.</p>
B) Link with strategic goal (Which strategic goal(s) does it link to)	Goal 1 – Professional Standards
C) Link with strategic objective (Which strategic objective(s) does it link to and how will it add value to / benefit the strategic objective(s)?)	<p><i>“1.1 Provide strong organizational framework to support INTOSAI’s standard setting including a permanent standard setting board (the FIPP), a technical support function and independent advisory function.”</i></p> <p>Having all ISSAIs in the five INTOSAI official languages, according to what is foreseen in the Due Process, is a way of strengthening the organizational framework.</p> <p><i>“1.2 Ensure that the ISSAIs are sufficiently clear, relevant and appropriate to make them the preferred solution for INTOSAI’s members. The ISSAIs should be widely recognized by all stakeholders as the authoritative framework for public sector auditing.”</i></p> <p>Besides, having the complete set of translations meets the needs of a considerable number of SAIs with regard to access to the ISSAIs. This enhances the feeling of belonging to the INTOSAI community and the SAI’s trust on INTOSAI standard setting structure. This is an important step to make the ISSAIs widely recognized by internal and external stakeholders, as well as the preferred solution for INTOSAI’s members.</p>

<p>D) Link with cross-cutting priorities (Which cross-cutting priority (ies) does it address and how will it add value / benefit the strategic priority (ies)?)</p>	<p><i>“Crosscutting priority 1: advocating and supporting the independence of SAIs.”</i> INTOSAI Goal 1 (Professional standards) aims at promoting <i>“strong, independent, and multidisciplinary SAIs and encourage good governance”</i> (INTOSAI Strategic Plan 2017-2022). Within this objective, improvements in the ISSAI Framework, particularly those made to broaden to the INTOSAI community the access to the ISSAIs, will beneficially reflect on the independence of the SAIs.</p> <p><i>“Crosscutting Priority 3: Ensuring effective development and coordination among standards-setting, capacity development, and knowledge sharing to support SAIs and improve their performance and effectiveness.”</i> It is expected that the availability of ISSAIs in a greater number of translations and translations of better quality will broaden the access to the ISSAIs to a larger number of users. Considering that the ISSAIs are used in training initiatives, this will favourably reflect in CBC and KSC capacity building actions.</p> <p>Besides, good results in the project that is being proposed may encourage a similar initiative for translations of IFPP documents encompassing KSC and future CBC documents.</p>
<p>E) Action will be performed by which body (ies)?</p>	<p>The PSC Secretariat would hire translators or translation companies. The PSC Secretariat plans to request the support of Regional Organizations or individual SAIs to indicate companies or translators for the work in their respective languages.</p>
<p>F) Estimated cost of the proposal.</p>	<p>€ 26,000.00</p>

Standard Setting in INTOSAI

Discussion Paper
October 2017



INTOSAI
PSC

Professional
Standards
Committee

Standard Setting in INTOSAI

During the 14th meeting of the PSC Steering Committee (June of 2017)¹, while discussing options for setting up a possible technical support function for INTOSAI standard setting, some members expressed the view that further changes may be needed to the standard setting process to ensure that INTOSAI can become the strong, independent, internationally recognized standard setter for the public sector it aspires to be.

The concerns raised moved the discussion away from the specific topic on the agenda and started a much broader debate on INTOSAI's standard setting approach. In order to bring the attention of this fundamental issue to a higher level within the Organisation, the Steering Committee commissioned the PSC Chair to prepare a paper to be addressed to the Governing Board, reflecting the discussions held about the theme.

Therefore, the purpose of this paper is to offer a summary of the developments that have taken place within INTOSAI in recent years on its standard setting function and the standards produced, as well as the debates that have accompanied and followed these changes. The paper is intended to help inform delegates of the Governing Board and provide a solid base for a broader reflection on the issues raised during the breakaway session scheduled for the upcoming Governing Board Meeting.

At the end of the session, the PSC hopes to be able to have clear view of the challenges facing INTOSAI standard setting and the fitness for purpose of its approach, as well as identification of the options available for tackling these challenges.

The start of Standard Setting in INTOSAI

Standard setting was established as one of INTOSAI's main goals in its first strategic plan (2005-2010), although the development of its auditing standards had started earlier. The first document named "INTOSAI Auditing Standards" was adopted in 1989, with its preface acknowledging that they should be understood more as "guidelines" rather than standards per se. After the adoption of this first plan, a new dedicated Committee was created (the PSC) and INTOSAI took further steps to develop and consolidate its professional standards. The ISSAI and INTOSAI GOV names were agreed on and by 2010 the first comprehensive set of ISSAIs was adopted. This is the moment that the ISSAI Framework can be considered to have been created.

From there, the ISSAI Framework² was further filled out and a due process for the development and approval of new standards was adopted (2010). At the same time the standard setting in INTOSAI grew in complexity, with a large number of working groups, committees and subcommittees, internal and external stakeholders involved throughout the process. The

¹ Minutes of the 14th PSC-SC meeting can be found at the website http://psc-intosai.org/data/files/4D/C6/0E/A5/76FBE510BA7D3AD59B59F9C2/Minutes_%2014th_PSC_SC_18_agosto2017_ver_s_o_final.pdf

² Throughout this paper we use the term ISSAI framework to refer to the whole set of documents currently known as ISSAIs, or International Standards of Supreme Audit Institutions. Nevertheless, it is important to point out that this framework is undergoing changes and will now be called INTOSAI Framework for Professional Pronouncements (IFPP). All existing documents in the ISSAI framework will be reclassified into three categories of pronouncements: principles, standards and guidance. Therefore, only the documents remaining in the standard category will keep the name ISSAI, but all documents will remain part of the IFPP.

number of documents in the framework increased considerably: currently (as of 2017), the ISSAI framework comprises 81 ISSAIs and 11 INTOSAI GOVs.³

After more than a decade of having established standard setting as one of its four main strategic goals, there is evidence of consensus within INTOSAI that the **ISSAIs are of key importance to its member SAIs**⁴.

Benefits of INTOSAI Standards

Throughout this period, the SAI community has identified many benefits brought by the ISSAIs including: they are a driver for SAI professionalization⁵; they raise awareness of the importance of having an appropriate set of audit policies and standards in place at individual SAI⁶ level, and provide the basis thereof; and also support the introduction of new audit functions in SAIs⁷⁸.

In spite of the recognized benefits, the real need for public-sector-specific auditing standards has also been questioned⁹. For example: financial audit is regarded as sufficiently covered by other (private) standard setters. As such INTOSAI chose to adopt them directly with the support of practice notes¹⁰. There is an argument that performance and compliance audit principles are also already well-developed by other organisations¹¹. In this sense, there would be little need for elaborate efforts to provide standards that are merely repeating existing standards.

On the other hand, there is also a perception that government auditing differs considerably from private sector auditing¹². Standard setting in INTOSAI has historically recognized and built on existing standards. The main principle behind standard setting by the organisation has been “the dual approach”¹³. The dual approach allows INTOSAI to focus its efforts and resources on issues

³ The updated full set of documents, and the official translations, can be found at www.issai.org

⁴ For example, in a survey conducted by the PSC in 2013, 86% of respondents agreed that the ISSAIs and INTOSAI GOVs are helpful for all members of INTOSAI, including least developed as well as high-income countries, courts as well as auditor general/comptroller systems. In 2016, in the survey conducted in preparation for the INCOSAI, 93.3% of respondents indicated that the ISSAIs and INTOSAI GOVs are relevant and useful and 90.8% of SAIs replied that the ISSAI framework has influenced their audit practice.

⁵ AFROSAI Regional Paper for INCOSAI 2016 Theme II states that “implementing a set of standards is a key component of professionalization”.

⁶ IDI’s response to the PSC’s chair request regarding standard setting in INTOSAI (July 2017).

⁷ In an IDI survey on Review of ISSAIs from 2014 respondent mentioned: “the ISSAIs are a great tool to be used by countries that are starting up units and/or have a low capacity in terms of human resources. This is very user friendly and is much appreciated by countries with limited resources; it provides them with a strong basis to work from”.

⁸ Other benefits mentioned in the IDI survey include: promotes strong leadership that will leverage on strong audit practices; encourages SAIs to upgrade their capacities on ISSAI compliance to gain support and respect from the citizens/stakeholders; support of the legislature in terms of resources/budget; and increased credibility; guiding principles to encourage common/standardized practice among all SAIs members.

⁹ Minutes of the 14th PSC-SC meeting can be found on the Committee’s website <http://psc-intosai.org/>

¹⁰ Practice notes give additional guidance for public sector auditors on the International Standards on Auditing (ISAs).

¹¹ Frequently cited examples are: ISAE 3000 (Assurance Engagements other than audits or reviews of historical information), the United Nations Evaluation Group (Norms and Standards for Education), the Guiding Principles for Evaluation by the American Evaluation Association, as well as IIA’s International Standards for the Professional Practice of Internal Auditing and their Implementation Guidance.

¹² In an IDI survey on Review of ISSAIs from 2014, for 75% of respondents it is clear how public-sector auditing may differ from the audits provided for by other international standards (16% disagree with the statement), on the same survey a respondent mentioned that this is not clear with respect to performance audit.

¹³ This approach meant that INTOSAI’s standard developing work should be partly based on work done by other standard setters. By recognizing, using and building on standards issued by other standard-setting bodies to the maximum extent possible and appropriate, INTOSAI should work to harmonize public sector audit internationally. INTOSAI should develop complementary guidance where a special need and/or pressing concern existed in the SAI environment and seek to influence international standards to address issues of particular interest to SAIs.

that are specific to the public sector notably to clarify how public sector auditing differs from auditing in the private sector¹⁴.

Furthermore, it has been argued that standards set by INTOSAI - which are aimed specifically at public sector auditing (even if one agrees that its principles are not fundamentally different from existing auditing standards) - have more legitimacy in the SAI community and can be more easily adopted by SAIs as they are perceived as more appropriate and easier to implement directly¹⁵. Hence, there would be a big void in world-wide standard setting considered as a whole if INTOSAI were not making standards for public sector auditing¹⁶.

Recognizing the importance given by SAIs and other stakeholders to the standards produced by INTOSAI, recent changes in INTOSAI Statutes (2016) mean that they now specifically define that one of the purposes of INTOSAI is to “set standards for public sector auditing” (Article 1, Name and Purpose, paragraph 1). Furthermore, the 2017-2022 INTOSAI Strategic Plan has as part of the organisation’s mission to “provide high quality auditing standards for the public sector”.

Nevertheless, there is a strong perception among some of the actors that have long been involved in INTOSAI standard setting activities that the organisation (and its current practices, despite the many developments in the last decade or so) **cannot yet be fully considered as sufficiently strong, to support INTOSAI’s intended status as an independent and internationally recognized standard setter**. According to this view, the standards produced to date do not all meet the required high quality to ensure a coherent and credible framework for government auditing standards¹⁷.

The 2014 Evaluation Report and the Resulting Changes

In 2014, SAI Denmark, then PSC Chair, produced an extensive Evaluation Report of standard setting in INTOSAI¹⁸. The report recognized that developing and maintaining high-level professional standards is a resource-intensive exercise requiring a high degree of continuity of

¹⁴ However, this reliance on this approach has been questioned. In its report for the Congress in 2013, the PSC stated: In practice, the development of the ISSAIs as a set of auditing standards has very much relied on IFAC’s support and standard-setting expertise. Most of the ISSAIs developed by the PSC Subcommittees and projects have either incorporated, or to some extent drawn on, IFAC’s standards. While this approach offers many advantages, it remains a key challenge for INTOSAI to build its own independent standard-setting capacity. Without sufficient independent standard-setting capacity, it is also difficult for INTOSAI to engage in cooperation with other standard-setters on an equal and mutual basis. In order to promote and safeguard public-sector auditing, INTOSAI must be able to develop and maintain clear and reliable standards in the key areas where SAIs have special needs, i.e. performance and compliance auditing.

¹⁵ A comment from a respondent to the IDI survey on Review of ISSAIs from 2014 illustrates this argument. It states that international standards (ISA) are focused more on financial matters, while ISSAIs consider compliance with legislations (law and regulations) that govern public funds, thus, instilling confidence in auditors when carrying out audits and creating confidence in users, other stakeholders and the wider public regarding credibility and adequacy of public-sector audits. The regional paper by ARABOSAI to the XXII INCOSAI theme II also supports this view: the very existence of the Framework enables credibility to be cascaded throughout the INTOSAI environment.

¹⁶ Remarks made at the 14th PSC-SC meeting in June 2017.

¹⁷ Remarks made at the 14th PSC-SC meeting in June 2017.

¹⁸ In 2013 in the XXI INCOSAI Beijing Declaration, member SAIs gave the PSC a mandate to find sustainable solutions that will provide sufficient assurance that the Framework and Due Process of INTOSAI’s Professional Standards are maintained and developed for the future. With that mandate, the PSC Secretariat launched an evaluation of INTOSAI’s standard setting. To this end, the Committee carried out a survey among individuals recently involved in the standard-setting process; a benchmarking of INTOSAI against three other standard setters (IAASB, IIA and the GAO); an evaluation of how well the standard-setting process and the resulting standards serve the needs of INTOSAI’s implementing efforts (carried out by the IDI); assessment by the subcommittees on challenges involved in developing ISSAIs 1000-4999; as well as interviews with key partners. The document produced was “Evaluation and recommendations to improve INTOSAI’s standard setting”. The full report and supporting documents can be found at: http://psc-intosai.org/en_us/site-psc/psc-steering-committee/evaluation-of-intosai-s-standard-setting/

core participants with extensive experience in preparing and drafting standards. In this context, in order to improve INTOSAI's standard setting in processes, the report identified challenges and presented six recommendations¹⁹:

- 1) A permanent committee for professional matters to be established under the INTOSAI Governing Board;
- 2) A common group of experts drawn from PSC, CBC, KSC and INTOSAI's regions to be established to consider common issues and drive the overall development of the INTOSAI Framework of Professional Standards.
- 3) Continued efforts to be made to establish a separate advisory group which – in addition to the current external observers in the PSC Steering Committee – should include representation of auditors and users of audit reports from the regional or global level.
- 4) The standard setting process to be improved through a revision of the Due Process for INTOSAI Professional Standards
- 5) To provide a common solution for secretarial support that can be drawn upon by all bodies.
- 6) INTOSAI to define a set of long-term development goals with key indicators and milestones for the continued improvement of its standard-setting function after 2016.

The report also offered five possible future scenarios for the development of INTOSAI standard setting, each defined by a combination of a number of key measures²⁰. Some of these recommendations have either been implemented or are in the process of being implemented, but no specific scenario was chosen. The second recommendation led to the creation of the Forum for INTOSAI Professional Pronouncements, the FIPP, which was established as a permanent body during the XXII INCOSAI in December 2016. As suggested in the third recommendation, an advisory function to standard setting is currently being strengthened by the PSC²¹ by separating external stakeholders into two groups: the current observers to the PSC would be considered advisory partners (MoUs are in the process of being renewed) and new organisations are being considered to form a consultative body. In addition, the fourth recommendation led to a revision of the due process²², with the revised document being adopted at the XXII INCOSAI in December 2016.

Based on the evaluation report's diagnosis, these changes are expected to bring some rationality and coherence to the overall standard setting process – raising the quality and credibility of the produced standards. But, as it starts its activities²³, there has been concern raised that if FIPP members may not be able to manage the amount of work needed to, at the same time, adapt the current documents to the new framework and act sufficiently effectively as a gate-keeper

¹⁹ For a more detailed description on the recommendations, see full report on the link above.

²⁰ The five scenarios were: 1) Coordination by strong chairs, where Goal Chairs would have to ensure sufficient coordination among themselves and their subcommittees and the directions given by the Chairs would need to be followed by all members of the standards=developing groups; 2) Strengthening of the PSC, which would be responsible for driving the process forward, with the PSC-SC entrusted with the united responsibility for all ISSAIs; 3) Building common solutions within INTOSAI, facilitated by an adequate institutional set up as part of INTOSAI's permanent organization; 4) a professional standard setter with a strong secretariat and a standard setting board established and financed through INTOSAI means; and finally 5) a separate ISSAI organization, with separate membership fees and each SAI deciding whether to be a member.

²¹ See full proposal for the liaison with external stakeholders document prepared by the PSC Secretariat for the 14th PSC-SC meeting in June 2017 at : http://psc-intosai.org/data/files/25/E6/AF/B0/7356C510B9D622C59B59F9C2/Liaison%20with%20external%20stakeholders_updated%20June%201st%202017.pdf

²² The new Due process for INTOSAI professional pronouncements can be found at: http://psc-intosai.org/en_us/site-psc/psc/due-process/

²³ For FIPP purposes and responsibilities, see their Terms of Reference at: <http://psc-intosai.org/data/files/DC/B1/98/3B/EB4DB510A71774A59B59F9C2/fipp-terms-of-reference%202016.pdf>

to new pronouncements being prepared. This involves closely following and guiding their development at all stages, as mandated by the revised due process²⁴. However, it is currently too early to conclude if this will be a real limitation in practice.

Despite recent improvements made to the standard setting process with the implementation of some of the recommendations, these measures alone are seen by some actors involved in the process as still insufficient to provide a sustainable solution to INTOSAI and its acknowledgement as a strong, independent and internationally recognized standard setter.

One of the main consequences of that, according to some of the PSC SC members, is that the quality of the standards produced by INTOSAI thus far is not on the same level as those produced by other internationally recognized standard setters, like IFAC and the IIA.²⁵ They point out that these organisations ensure quality through highly professional processes led by full-time, specialized, staff.

Technical support function

One path moving forward for INTOSAI, as set out in the Evaluation Report, would involve setting up a professional technical support function (TSF). The possible responsibilities to be taken on by such body could vary widely²⁶, from basic secretarial support to actually being responsible for writing new standards and possibly providing support in the interpretation of the standards. The main purpose of the TSF would be to support the FIPP and the subcommittees in some or all of their standard-setting activities.

The establishment of a TSF together with the recently implemented FIPP, the advisory function and the observance of the new due process are intended to, in time, take INTOSAI standards to a higher quality level, and to guarantee their ongoing maintenance and thereby continued relevance. However, this could mean a significant shift in the standard setting process, particularly if the TSF takes over some of the core activities currently performed by the subcommittees and working groups²⁷.

The adoption of this new structure for the standard setting would entail moving away, in some measure, from the in-kind contribution model with which INTOSAI has counted on so far. Funding arrangements would have to be made to make sure this solution is sustainable in the long term, and this could include donor funding, partial SAI funding (as in the IDI model) coupled with secondment of professionals from other SAIs, development of other “commercial services”, such as certification services,²⁸.

Additionally, since this proposal was presented, it has been repeatedly pointed out that this could mean a departure from current INTOSAI practices and culture, which are traditionally based on voluntary contribution and diversity of membership as a core value in its work²⁹. Nevertheless, it would bring the level of professionalism that some feel is missing from the

²⁴ Remarks made at the 14th PSC-SC meeting in June 2017.

²⁵ Remarks made at the 14th PSC-SC meeting in June 2017.

²⁶ For a list of possible activities for the technical support function body, see document prepared by the PSC Secretariat for the 14th PSC-SC meeting in June 2017 at http://psc-intosai.org/data/files/D5/14/51/04/30EEB5107B069EB59B59F9C2/Item%2010_May%208%202017%20Considerations%20on%20a%20technical%20support%20function.pdf

²⁷ Another concern raised is regarding the legitimacy of INTOSAI standards if they are not produced by SAIs. The potential impact of this argument depends on the possible organisational structure of the TSF.

²⁸ The 2014 evaluation report briefly discusses possible sources of financing.

²⁹ EUROSAI Regional Paper for INCOSAI 2016 Theme II states that the very core of INTOSAI is based on the principles of inclusiveness and voluntariness, which in turn means an organisation run primarily on in-kind contributions by audit organisations with good intentions and high ambitions.

organisation and bridge the gap currently preventing INTOSAI from being a strong, independent and internationally recognized standard setter it aspires to.

Implementation of INTOSAI Standards

If the reasons for strengthening the standard setting process and the means to do so are more or less clear, based on the experience of other similar organisations, the challenges for tackling the necessary improvement in the implementation of the standards in SAIs are less well defined. Among other reasons, this is because of the different nature of INTOSAI – as a public international organisation – which means it cannot use some of the mechanisms that are available to other (private) standard setters. INTOSAI standards will always remain voluntary since independence (including the freedom to choose standards to base its work on) is a cornerstone to the work of SAIs everywhere and a core INTOSAI principle.

Nevertheless, surveys conducted by the INTOSAI community show that there is a high level of adoption of ISSAIs³⁰, which supports the key assertion that SAIs consider the ISSAIs to be important. However, the evidence showing that SAIs go beyond formal adoption of the standards to concrete organisation-wide implementation of ISSAIs is harder to find³¹. The overall perception is that the **ISSAI framework is not sufficiently well implemented**. There is even no agreement on how ISSAI implementation can be objectively demonstrated and followed up in a systematic way. Efforts to obtain data on ISSAI adoption and implementation through surveys have shown contradicting results, so the reliability of these surveys as sources of information may not be assured³².

The main purpose of auditing standards is to raise audit quality and thus enhance the credibility of SAIs³³, ultimately increasing the value and benefits they deliver to society. Standards will not have their intended impact if they are not implemented. Poor quality standards might damage the reputation of SAIs instead of enhancing it³⁴. However, lack of implementation of INTOSAI standards will defeat the purpose of having standards at all. Producing standards is a costly and resource-intensive process, and if not used represents a large waste of resources for INTOSAI, as well as a considerable reputation risk.

³⁰ XXII INCOSAI Theme II paper says that over two thirds of survey respondents say they have either adopted the ISSAIs directly or used them in the development of their own standards.

³¹ We have, for example, analysis of data from SAI PMF assessments carried out by 25 SAIs which show that SAIs are putting in place appropriate standards but the challenge is conducting the audits in compliance with those standards and manuals. For financial audits, 32% of SAIs have demonstrated that they have compliant manuals and policies, but only 10% have generally implemented the ISSAIs in practice. These numbers are, respectively, 35% and 25% for compliance audit and 44% and 14% for performance audit.

³² This is demonstrated for example, in the upcoming IDI report of the Global Survey 2017 results. Comparing the data from the 2014 IDI Global Survey to the 2017 INTOSAI Global Survey, the 2014 results showed that 100 % of SAIs had adopted the ISSAI standards for financial audit, 97 % for compliance audit and 90 % performance audit. In the 2017 global survey data, the figures are 72% for financial audit, 64% for compliance and 69% for performance audit. SAIs are currently reporting a lower level of adoption of ISSAI standards than they did in 2014. The difficulties to measure level of implementation are also reflected on the data presented by the ICBF report. Scores regarding Domain 4 (audit standards & methodology). In 2013, 6 SAIs reached level 3, in 2014, 4 SAIs reached level 3, in 2015, 10 SAIs reached level 3 and in 2016, 7 SAIs reached level 3 (there are 3 levels and none of the SAIs on the report reached level 4 on these years). The level of variation in only one year periods– decreasing and increasing and decreasing again – show that this difference probably does not necessarily reflect SAI practice but differences in perception and understanding of ISSAI compliance between respondents. It is important to notice that these surveys are self-declaratory (in contrast to SAI PMF and iCAT, which require answers to be back up by evidence).

³³ Preamble of ISSAI 100 – Fundamental Principles of Public Sector Auditing. See also ISSAI 12 – Value and Benefits of SAIs – making a difference to the life of citizens.

³⁴ This risk was mentioned by the 2013 PSC report to INCOSAI.

The implementation of the standards requires a long-term commitment from SAIs. This involves a gradual process starting with raising awareness of a SAI's top management about the importance of following professional standards and the desirability of implementing them. It also involves carrying out assessments to measure the gap between the current situation and compliance, putting in place the needed actions to bridge the gap to reach SAI-wide compliant practices. SAIs worldwide have pointed out difficulties in all of those steps. SAIs of developing countries have even argued that current standards might not be applicable to smaller, developing SAIs, as they are more geared to SAIs with advanced capacity³⁵. Others also point out the problems with translating ISSAIs into their national languages (or even the quality of the official translations) or obtaining support regarding interpretation of the standards (currently there is no mechanism in INTOSAI to facilitate uniform understanding of concepts and their application)³⁶.

Since the adoption of the framework in 2010, INTOSAI has carried out efforts to support the implementation of the ISSAIs³⁷. In 2010, the PSC established the ISSAI Awareness Raising Task Force. The task force agreed on an ISSAI Roll-Out Model describing the three stages of ISSAI implementation and defining the roles and responsibilities of the PSC, the CBC and the IDI. In addition, during the course of 2011 and 2012 the Task Force launched a number of activities aimed at creating awareness of the ISSAI Framework and promoting SAI's implementation of the ISSAIs, such as explanation folders and presentations, articles and a promotion of the ISSAI.org website. In 2012, the task force was dissolved.

In 2012, the IDI launched the ISSAI Implementation Initiative (3i Programme) to support SAIs from developing countries. The first phase of the Programme, which ended in 2014, included the development and dissemination of an ISSAI compliance assessment tool (iCATs), ISSAI Implementation Handbooks, ISSAI certification programmes for financial, performance and compliance audit (about 250 ISSAI facilitators were trained), cooperative audits and the 3i community portal³⁸.

In 2014/2015 the 3i programme went through an independent evaluation³⁹. This concluded that the programme was very successful in delivering well-designed tools that SAIs use regularly, but the expected impact, through improved quality of audit work and increased compliance with the ISSAIs, has yet to materialize⁴⁰. However, the evaluators recognize that such changes take time and that the programme had produced the necessary pre-requisites. Currently the programme is in its second phase, in which the IDI plans to work with the following result areas:

³⁵ Preliminary data from the Global survey carried out by IDI in 2017 show that SAIs in Low Middle Income countries reported a lower rate of adoption of level 3 and 4 ISSAIs in all three audit streams while High Income country SAIs report a higher rate for level 3 and 4 ISSAI adoption for financial and performance audits.

³⁶ These are mostly comments of respondents of the IDI Survey on the Review of ISSAIs from 2014. Some other comments from the same survey are: lack of awareness of auditors and stakeholders about the ISSAIs and their importance; requires a considerable amount of resources (time and trained people) to be implemented; lack of professionals in public sectors and buy-in by some top management (especially who were without audit standards for the past 40 years); insufficiency of good implementation samples; complexity and technicality cause challenges in application for developing SAIs.

³⁷ The South Africa Declaration (2010) encouraged all members 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.

³⁸ For lessons learned from the first phase and a more information on the second phase see <http://www.idi.no/en/elibrary/cpd/3i-programme-1/266-3i-programme-phase-ii>

³⁹ The full report can be found at: <http://www.idi.no/en/elibrary/global-public-goods/english/3i-programme/other-resources/300-independent-evaluation-report-of-the-3i-programme/file>

⁴⁰ For example, the report states that auditors in developing country SAIs have a poor knowledge of the ISSAIs and lack an understanding of what the requirements are.

certification and holistic SAI level support that will include initial considerations, training SAI teams, support for pilot audits and support for setting up QA function at SAI level.

In the current INTOSAI Strategic Plan, ISSAI implementation is only mentioned as part of the crosscutting priority 3, which is “ensuring effective development and coordination among standard-setting, capacity development and knowledge sharing to support SAIs and improve their performance and effectiveness”. In the description given in the plan for this priority⁴¹, INTOSAI recognizes that the essential task is not just the development of high quality standards and related material but ensuring that SAIs have the capacities and knowledge they need to use the standards and thereby improve the quality of their audits. It also says that implementation and maintenance of the ISSAIs and INTOSAI products is an INTOSAI-wide task that requires attention on the global, regional, and country levels, and that INTOSAI fully appreciates that the most carefully crafted audit standards are only valuable if they are useful for, and used by, SAIs.

Nevertheless, ISSAI implementation is not included among the five current strategic objectives for Goal 1 (Professional Standards). PSC’s strategic objectives (number 5) only indicate the committee should monitor the implementation and adoption of standards and feed any problems or issues back into the standard-setting process to ensure the standards are as useful and relevant as possible. Strategic Objectives for Goal 2 (Capacity Development) and Goal 3 (Knowledge Sharing and Knowledge Services) do not mention implementation of standards.

In practice, the collaboration mentioned in crosscutting priority 3 is being put into practice for standard setting – with the three Goal Chairs having an important executive function in relation to FIPP and sharing the responsibility for the governance of the FIPP as part of the PSC SC – but not on efforts to support ISSAI implementation⁴². INTOSAI has not yet reflected on the implications of the standards it produces on other activities carried out within the organisation, or what possible role regional organisations can have in cooperation in bridging the distance between INTOSAI and individual SAIs regarding ISSAI implementation⁴³.

When the issue of the feedback loop (the above mentioned objective to monitor implementation and feed problems back in to the standard setting process) was brought up during the 14th PSC-SC meeting, participants were quick to point out that this is not a simple discussion: there is very little reliable data to allow for systematic follow up of implementation⁴⁴. The tools currently available that could provide more information regarding implementation, namely the iCAT (tool to map compliance with ISSAIs, part of the 3i Programme) and the SAI-PMF (tool to assess SAI performance on many dimensions), are timely and costly to implement, and thus are not carried out frequently and widely. Furthermore, measuring implementation depends, for example, on individual SAIs establishing quality assurance mechanisms to monitor compliance with policies, processes etc⁴⁵.

⁴¹ See 2017-2022 INTOSAI Strategic Plan, page 14.

⁴² ASOSAI Regional Paper for INCOSAI 2016 Theme II states that the impact on individual SAIs is not always very evident. In particular, on matters of the implementation of the ISSAIs by member SAIs, INTOSAI’s efforts are not yet enough to prepare the SAIs of developing nations in terms of skills and knowledge on ISSAI implementation.

⁴³ PASAI in a contribution to the PSC has illustrated some of the roles Regional Organisations can have in this respect.

⁴⁴ In addition, in a survey conducted by the PSC in 2013, one of the respondents commented that regarding feedback and monitoring, this is only truly possible after implementation has been achieved in a big group of SAIs. This is not the case yet. If we want to strengthen the due process, we need to invest in implementation, not only in a standard setting body. A comment in the IDI Survey on Review of ISSAIs from 2014 also mentioned that it is costly for INTOSAI to monitor implementation and that there is lack of consistency of existing follow up mechanisms of implementing ISSAIs.

⁴⁵ The 2016 AFROSAI-E State of the Region Report on the Institutional Capacity Building Framework (ICBF) Self-Assessment found that a significant number of SAIs were yet to establish quality assurance functions to monitor

The difficulties faced with measuring implementation and also with supplying the standard setting process with qualitative information to improve the standards are obstacles to further improve quality and relevance of INTOSAI standards to SAIs worldwide⁴⁶. The lack of concrete and reliable information on implementation challenges also make it more difficult for INTOSAI standards to find the necessary balance of basic requirements and the actual capacity of SAIs in different development levels and models to implement them, which are essential elements in assuring the relevance of standards to SAIs⁴⁷.

The way forward

In sum, after more than a decade of renewed efforts to strengthen INTOSAI auditing standards significant progress has been made. The SAI community recognizes the importance of ISSAIs. Nonetheless, their level of implementation still seems to be low and the standard setting process, despite recent improvements, is still not considered on par with other similar organisations.

The impact of the recent changes made to the standard setting process is still too early to be evaluated. Nevertheless, in light of the questions raised during the 14th PSC-SC meeting held in June 2017 and the opportunity presented by the breakaway session during the 70th Governing Board Meeting, the PSC Chair is seeking input from the INTOSAI Governing Board members concerning **what are the priorities and the level of ambition that INTOSAI should have regarding its standards and standard setting process**. This should take into consideration: the unique nature of INTOSAI; the needs of its member SAIs in this area and the implications and related costs and opportunities for INTOSAI as an organisation.

In order to guide the discussion, the following key issues are offered for consideration:

- Standard Setting process:

INTOSAI is currently in the process of implementing the recent changes made to its standard setting process with the introduction of a new framework for professional pronouncements, the creation of the FIPP, the revision of the due process and the introduction of the SDP. The advisory function is also in the process of being strengthened. However, getting agreement for the introduction of a technical support functions is proving difficult.

- ✓ Is the current set up (without the TSF) likely to bring the desired improvements to the IFPP?
- ✓ Can actors in INTOSAI standard setting process (subcommittees/ working groups/project groups, FIPP) deliver (timely and with quality) on the expected outcome of the SDP? Would a TSF help in this respect?
- ✓ Does INTOSAI need to implement a robust TSF, mirroring other similar organisations, in order to achieve its aspiration to be a strong, independent and internationally recognized standard setter?

compliance with their policies, processes, structures and systems. This is also supported by the data collected by the Open Budget Index (2015) which found that 66% of SAIs had established a quality assurance system, but just 34% had a quality assurance system that met ISSAI 40 standards.

⁴⁶ A respondent in the PSC Survey from 2013 states that from his/her experience, the standard setting process in INTOSAI has focused its energy in the development and revision processes, ignoring whether the SAIs could effectively use/implement the standards. In its input to the evaluation of the standard setting process in 2014, the CBC also recommends that the process should consider implementation feasibilities and which aspects should be prioritized for implementation.

⁴⁷ A swot analysis carried out at the PSC SC meeting in 2014 lists as opportunities, among others: invest in regions for feedback, bring in the perspective of intended users (especially in the developing world), build on experience with implementation activities from external stakeholders, tying maintenance closer to practical implementation.

- ✓ In order to be able to implement a robust TSF, can INTOSAI at the same time preserve its core values but adapt its culture (in-kind contributions and voluntary work) to make the move towards some form of professional, full-time staff for this new body?

- Implementation of Standards

There is a risk of (high-quality) standards being produced as an end in themselves if ISSAI implementation does not advance. The 3i programme has been producing good results, but it is currently the only significant initiative taking place within INTOSAI regarding ISSAI implementation.

- ✓ Is INTOSAI giving enough priority to ISSAI implementation in its activities? If not, what more could be done? What could be the roles of the PSC and other INTOSAI committees in this regard?

The outcome of this discussion will provide valuable insight to support PSC's work in the fulfillment of its strategic objectives to achieve our goal to promote strong independent and multidisciplinary SAIs and encourage good governance by (1) advocating for, providing and maintaining international standards of Supreme Audit Institutions (ISSAIs); and (2) contributing to the development and adoption of appropriate and effective professional standards (INTOSAI Strategic Plan 2017-2021). Proposals on these and other issues will be discussed with the PSC's Steering Committee and brought to this Governing Board in due time.

Professional Standards Committee

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List of Consultation Material

- ✓ PSC Evaluation Report (October 2014)
- ✓ Consultation Responses on draft of evaluation report by AFROSAI-E, EUROSAI, GAO, General Secretariat, SAI South Africa, SAI Sweden
- ✓ Status on Goal 1 (Report II) to INCOSAI 2013
- ✓ SWOT analysis at the PSC SC meeting in 2014
- ✓ PSC benchmarking of standard setters
- ✓ PSC Survey Results and comments
- ✓ IDI Evaluation Report to PSC (2014)
- ✓ Subcommittees assessment paper for evaluation report
- ✓ Internal & External scan results for Strategic Plan 2017-2022
- ✓ INCOSAI 2016 Survey Results on Theme II
- ✓ Theme paper on INCOSAI 2016 Theme II
- ✓ Regional papers (for all regions) for INCOSAI 2016 Theme II
- ✓ 3i Evaluation Report
- ✓ PSC-SC 2017 meeting minutes
- ✓ PSC-SC email contributions after 2017 meeting
- ✓ ICBF Self-Assessment Report 2015 and 2016
- ✓ Preliminary analysis of Global Survey 2017 results by IDI
- ✓ Analysis of SAI PMF assessment results (provided by IDI)

Annex:

Standard Setting in INTOSAI Strategic Plans:

2005-2010: Goal 1- Accountability and Professional Standards

Promote strong, independent, and multidisciplinary SAIs by (1) encouraging SAIs to lead by example and (2) contributing to the development and adoption of appropriate and effective professional standards.

2011-2016: Goal 1 - Accountability and Professional Standards

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

2017- 2022: Goal 1- Professional Standards

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

Plus: INTOSAI'S MISSION

INTOSAI is an autonomous, independent, professional, and nonpolitical organisation established to provide mutual support; foster the exchange of ideas, knowledge, and experiences; act as a recognized voice of SAIs within the international community; provide high quality auditing standards for the public sector; promote good governance; and foster SAI capacity development and continuous performance improvement.

Joint Statement by INTOSAI Goal Chairs (October 2017)

In line with INTOSAI's crosscutting priority 3 requiring coordination among standard setting, capacity development and knowledge sharing activities, the PSC, CBC, and KSC have worked closely together on key initiatives to further the implementation of the new strategic plan. This joint statement is to inform INTOSAI of progress made with regard to these initiatives and support joint motions for the consideration of the Governing Board.

1. **Performance reporting dashboard:** The INTOSAI Strategic Plan 2017-2022 places onus on the Goal Chairs to monitor and report on the progress made in achieving the strategic objectives identified for each strategic goal. In order to streamline reporting to the Governing Board, the Goal Chairs agreed on a reporting dashboard report that ensures consistency in reporting and provides the Governing Board with an appropriate level of information.
2. **INTOSAI auditor professionalization:** : The PSC and KSC have joined the newly established CBC Task Force on INTOSAI Auditor Professionalization in order to strengthen this keystone initiative that is aimed at facilitating and structuring professional development in INTOSAI – the unpacking of the concept of professionalism in SAIs has clearly indicated the need for integration of efforts with strategic goals 1 and 2 for the INTOSAI value chain to function correctly.
3. **Implementation of Strategic Development Plan (SDP):** the Goal Chairs have worked together to start the implementation of the projects proposed by the SDP 2017-2019. As required by the current SDP, several project groups comprise members from different INTOSAI bodies. Close collaboration and coordination among the Committees will be essential do the successful implementation of the Plan. Joint actions also included an initiative to revise the document approved in 2016.
4. **Governance of FIPP, Chair and members' selection:** the FIPP is an important product of the Goal chair collaboration. As the Forum starts its activity as a permanent body of INTOSAI, the Goal Chairs have worked to establish an effective rotation policy and to select new members, thus ensuring its continued function.
5. **QA on Global Public goods:** the Goal Chairs recognized that the introduction of the new Framework for INTOSAI Professional Pronouncements (IFPP) and the revised due process can lead to an increase in the number of INTOSAI public goods published outside the IFPP. In order to keep the INTOSAI brand name, the Goal Chairs have suggested measures to put in place an appropriate system of quality assurance for products which are developed outside due process. See supporting document part of the KSC report on Goal 3.
6. **Effective dates for the pronouncements:** the revised Due Process, by establishing that a pronouncement can become a part of the INTOSAI Framework of Professional Standards after the Governing Board has referred it to the Congress, ensures more flexibility and allows for a greater responsiveness of the whole standard-setting process. This enables INTOSAI to have the flexibility to update the IFPP according to a yearly cycle, rather than



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Collaboration
PSC – CBC – KSC

just every three according to the Congress schedule and would not take away from Congress the power over the final endorsement of pronouncements as mandated in the due process. See supporting document part of the PSC's report on Goal 1.

Based on this and the following two supporting documents:

- *Quality assuring INTOSAI Public Goods that are developed and published outside of due proces* – a Joint paper from the INTOSAI Goal Chairs and the INTOSAI Development Initiative (presented by the KSC)
- *Creating a more strategic and agile INTOSAI - Introducing flexibility in endorsing pronouncements* (presented by the PSC)

The PSC in its report on Goal 1, joined by CBC and KSC, requests the Governing Board to:

1. Endorse the appointment of three new FIPP members, XXXX from SAI XXX, XXXX from SAI XXX and XXXX from SAI XXX .
2. Endorse the interpretation that new (and revised) pronouncements are able to take effect after the Governing Board has referred them to the final endorsement by INCOSAI.

The CBC in its report on Goal 2, joined by PSC and KSC, requests the Governing Board to:

1. Take note of the performance reporting dashboard that will be the basis for future performance reports from the PSC, CBC and KSC.

The KSC in its report on Goal 3, joined by CBC and PSC, requests the Governing Board to:

1. Endorse the proposal on Quality assuring INTOSAI Public Goods that are developed and published outside of due process.

Appointment of new FIPP members

FIPP was established as a permanent body at the XXII INCOSAI that took place in Abu Dhabi last December and represents a shared ambition to leverage on all the expertise that have been built in past years, in individual SAs as well as in the many different INTOSAI groups that have worked on developing and implementing standards within their respective fields. It is governed by the PSC Steering Committee and its members are chosen by the PSC, CBC and KSC Chairs. The Forum works in the interest of the full INTOSAI membership.

The current members were appointed in 2015 and 2016 and their mandates fixed in 2017. Following the rotation policy, at the end of this year there will be three vacant seats in FIPP.

The chairs of INTOSAI's Professional Standards Committee (PSC), Capacity Building Committee (CBC) and Knowledge Sharing Committee (KSC), in accordance with the "Due Process for INTOSAI's framework of professional pronouncements", issued an annual call for nominations in August of 2017. All SAs and bodies in INTOSAI were invited to nominate candidates.

In order to ensure a broad composition of the forum, this year - aside from professional expertise - candidates from ARABOSAI and OLACEFS, candidates with experience in performance audit, IT audit and professional competency standards, as well as candidates from Jurisdictional SAs were particularly encouraged to apply.

After an analysis of the candidates' professional experience, followed by an interview, three new members were selected:

1. XXXXXX, from SAI XXXXX
2. XXXXXX, from SAI XXXXX
3. XXXXXX, from SAI XXXXX

Appointments made to FIPP this year will take effect on 1 January 2018. The mandates of the new appointees will end in 31 December 2020.

Creating a more strategic and agile INTOSAI: Introducing flexibility in endorsing pronouncements

1. The decisions made during the XXII INCOSAI held in Abu Dhabi in December 2016 brought many changes to the standard setting process in INTOSAI as part of the overarching goal of strengthening the standard process in the organization. On the occasion, members adopted a revised due process for INTOSAI's Framework of Professional Pronouncements – Procedures for developing, revising and withdrawing the International Standards of Supreme Audit Institutions (ISSAIs) and other pronouncements (from here on referred to as due process). The Forum for INTOSAI Professional Pronouncements (FIPP), created as a temporary group in 2015, became a permanent body of the organisation and a Strategic Development Plan for the INTOSAI Framework of Professional Pronouncements (SDP) was approved.
2. Due Process defines the procedures through which INTOSAI issues professional standards and other pronouncements, ensuring that they are subject to a suitable and adequate consultative process and level of scrutiny, and also that they follow a quality control process to ensure consistency. The revised document introduced improved mechanisms to ensure transparency, accountability and quality in INTOSAI standard setting.
3. The FIPP, formed by technical experts, has now the general responsibilities for the content and quality for all INTOSAI pronouncements. It will function as a single entry point into the ISSAI Framework and thereby a more uniform approval process for the ISSAIs and any other pronouncements included in the ISSAI Framework. To do so, the FIPP engages actively in the standard development process by closely following the development of draft proposals and ensuring their technical quality and consistency. It also defines the appropriate level of requirements for public sector auditing and approves their inclusion in the IFPP.
4. The SDP is a new planning instrument for the development of the content of the framework. It is a practical and flexible working tool intended to ensure continuous overall planning and coordination of the standard-setting work undertaken of INTOSAI working groups. The plan provides the general strategy and overall working plan for the development of INTOSAI principles, standards and guidance. It lays out a common path for all contributing working groups towards the overall goal of a high quality set of standards for public sector auditing.
5. These changes are expected to bring substantive improvements to the INTOSAI standard setting process and will in result in a new and revised framework that is clearer, more coherent and reliable, and comprises pronouncements of a the necessary high quality.
6. Due Process states that:

"New pronouncements become part of INTOSAI's framework of professional pronouncements on the date they take effect, (...) A pronouncement cannot take effect before the Governing Board has considered the endorsement version and decided to refer it to INCOSAI for endorsement." (item 2.1, Stage 4)

7. Due Process, by establishing that a pronouncement can become a part of the INTOSAI Framework of Professional Standards after the Governing Board has referred it to the Congress, ensures more flexibility and allows for a greater responsiveness of the whole standard-setting process.

8. It is important to notice that the INTOSAI statutes do not explicitly refer to the process of endorsing professional pronouncements. The relevant sections are Article 4, paragraph 5, subparagraphs e) and f), which state respectively:

Article 4: Congress

The tasks of Congress are

e) *to endorse Due Process for INTOSAI's Framework of Professional Pronouncements – Procedures for developing, revising and withdrawing the International Standards of Supreme Audit Institutions (ISSAIs) and other pronouncements on www.issai.org;*

f) *to deal with all matters brought before the Congress by the Governing Board;*

Hence, the INTOSAI Statutes do not act as a constraint in respect of this matter.

9. Thus, keeping in line with INTOSAI's goal of making INTOSAI more strategic and agile that is alert to and capable of responding to emerging international opportunities and risks (crosscutting priority 4, as part of the INTOSAI Strategic Plan 2017-2022), considering the considerable efforts put in place to strengthen and improve due process, and the risk of affecting the whole process of approval of standards with unnecessary delays, the **Goal Chairs would like support from this Governing Board to clarify the interpretation that new (and revised) pronouncements are able to take effect after the Governing Board has referred them to the final endorsement by INCOSAI.**

10. This decision would:

- ENABLE INTOSAI to have the flexibility to have the IFPP updated according to a yearly cycle, rather than just every three according to the Congress schedule;
- NOT take away from Congress the power over the final endorsement of pronouncements as mandated in the due process. Current INTOSAI Statutes do not mention the Congress's responsibilities on this matter, but all new and revised pronouncements would still be taken to Congress for final endorsement by the whole SAI community; and
- ENSURE transparency of the process by accompanying those pronouncements pending INCOSAI endorsement by a standard phrase, such as "NB: This document was approved by the INTOSAI governing board on [date], which referred it to the [no] INCOSAI on [date] for endorsement.";
- NOT compromise the quality of the pronouncements since, with a more rigorous approval process set in place after 2016 and stronger control points being inserted in the process, the risk of INCOSAI not endorsing a pronouncement referred by the governing board is extremely low; but
- In the event that INCOSAI does not endorse a pronouncement, that pronouncement will be immediately withdrawn from the framework and reintroduced into the process for further revision as appropriate.



INTOSAI
PSC

Professional
Standards
Committee

Breakaway Sessions – Session 2

70th Meeting of the INTOSAI Governing Board

During the 14th meeting of the PSC Steering Committee (June of 2017), its members commissioned the PSC Chair to prepare a paper addressed to the Governing Board, reflecting the discussions held regarding further developments on standard setting in INTOSAI. The main topics covered by the paper were briefly presented during the PSC agenda item during this Governing Board meeting.

In order to allow time for adequate participation of all interested Governing Board members, the issues raised in the paper are brought for discussion in this breakaway session. **The outcome of this discussion will provide valuable insight to support PSC's work concerning what are the priorities and the level of ambition that INTOSAI should have regarding its standards and standard setting process.** Proposals on these and other issues will be discussed further with the PSC's Steering Committee and brought to the Governing Board in due time.

In order to guide the discussion, the following key issues are offered for consideration:

- Standard Setting process:

INTOSAI is currently in the process of implementing the recent changes made to its standard setting process with the introduction of a new framework for professional pronouncements, the creation of the FIPP, the revision of the due process and the introduction of the SDP. The advisory function is also in the process of being strengthened. However, getting agreement for the introduction of a technical support functions is proving difficult.

- ✓ Is the current set up (without the TSF) likely to bring the desired improvements to the IFPP?
- ✓ Can actors in INTOSAI standard setting process (subcommittees/ working groups/project groups, FIPP) deliver (timely and with quality) on the expected outcome of the SDP? Would a TSF help in this respect?
- ✓ Does INTOSAI need to implement a robust TSF, mirroring other similar organisations, in order to achieve its aspiration to be a strong, independent and internationally recognized standard setter?
- ✓ In order to be able to implement a robust TSF, can INTOSAI at the same time preserve its core values but adapt its culture (in-kind contributions and voluntary work) to make the move towards some form of professional, full-time staff for this new body?

- Implementation of Standards

There is a risk of (high-quality) standards being produced as an end in themselves if ISSAI implementation does not advance. The 3i programme has been producing good results, but it is currently the only significant initiative taking place within INTOSAI regarding ISSAI implementation.

- ✓ Is INTOSAI giving enough priority to ISSAI implementation in its activities? If not, what more could be done? What could be the roles of the PSC and other INTOSAI committees in this regard?