



**INTOSAI  
PSC**

Professional  
Standards  
Committee

## **15<sup>th</sup> PSC STEERING COMMITTEE MEETING**

30-31 May, 2018

European Court of Auditors, Luxembourg

### **List of Meeting Documents**

Meeting Agenda

PSC reporting dashboards on Goal 1 and Crosscutting priorities

Status of on-going SDP Projects

Status on the expected results of the SDP (FIPP document)

FIPP Terms of Reference

List of Changes to FIPP ToR

FIPP Annual Report to the PSC Steering Committee

Concept note on Strengthening INTOSAI's Standard and Standard Setting Process

Independent Advisory Function for INTOSAI Standard Setting

Summary report: Inputs from the breakaway session on standard setting (70<sup>th</sup> GB)

Implementing a Technical Support Function

FIPP's proposed process for developing the next SDP

Process for developing the Strategic Development Plan for the IFPP

Not included:

PSC Terms of Reference

Full notes on contributions received from the breakaway session on standard setting (70<sup>th</sup> GB)

Annexes to FIPP Annual Report





## 15<sup>TH</sup> PSC STEERING COMMITTEE MEETING

DRAFT AGENDA (as of May 14)

29<sup>th</sup> May 2018 - Tuesday

<b>18:30</b> <i>(ECA premises)</i>	<b>Welcome reception</b>
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30<sup>th</sup> May 2018 - Wednesday

	<b>Topic</b>	<b>Description</b>	<b>Supporting Documents</b>
	<b>8:30-9:00</b> <i>(K2 entrance hall)</i>	Security clearance, registration and welcome coffee.	
<b>1</b>	<b>9:00-09:20</b> <b>Opening</b> <i>(K2/001 Conference room)</i>	Welcome by the host, the PSC Vice-Chair Initial remarks by the PSC Chair Approval of the agenda Housekeeping announcements	<b>Supporting documents:</b> Final Meeting Agenda ( <b>for approval</b> )

<b>2</b>	<p style="text-align: center;"><b>9:20-10:30</b></p> <p><b>Implementation of the INTOSAI Strategic Plan</b> <i>(K2/001 Conference room)</i></p>	<p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>- Inform and discuss with the participants about how INTOSAI is monitoring the implementation of the strategic plan and planning to deal with emerging issues and risks.</li> <li>- Based on the PSC Progress Report, identify areas that we should be more concerned and the risks that are more relevant, coming up with proposals to address these areas and risks.</li> </ul> <p><b>Initial inputs:</b> PSC Secretariat, INTOSAI Secretary General and Chairs of PFAC and SCEI.</p> <p><b>Points for general discussion (for all participants):</b></p> <ul style="list-style-type: none"> <li>- Risks in PSC report (not being dealt with in specific sessions): <ul style="list-style-type: none"> <li>• Communication: improving internal communication (within INTOSAI) and external (mainly ISSAI website).</li> <li>• Translation of pronouncements: need to complete and improve existing translations and establishment of protocol for future documents entering the framework.</li> </ul> </li> <li>- Emerging issues and risks: how the Committee will contribute to SCEI's work and how they can affect the standard-setting work.</li> </ul> <p><b>Expected outcomes:</b></p> <ul style="list-style-type: none"> <li>- Suggestions to improve PSC internal and external communication (specifically the issai.org website)</li> <li>- Position of PSC-SC regarding priority for translations of existing and future pronouncements.</li> <li>- Definition of how subcommittees/PSC will respond to SCEI request regarding emerging issues and risks.</li> </ul>	<p><b>Supporting documents:</b> PSC reporting dashboards on Goal 1 and Crosscutting priorities</p>
	<b>10:30-11:00</b>	<b>Group Photo and Tea/Coffee Break</b>	
<b>3</b>		<p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>- Overview of the status of SDP implementation (including individual projects).</li> <li>- Assessment of new process for the development of standards.</li> </ul>	

	<p><b>11:00-12:30</b></p> <p><b>Implementation of the Strategic Development Plan for professional pronouncements (SDP)</b> <i>(K2/001 Conference room)</i></p>	<p><b>Initial inputs by:</b> Chairs of FIPP, PSC Subcommittees and KSC.</p> <p><b>Points for general discussion (for all participants):</b></p> <ul style="list-style-type: none"> <li>- What improvements we can already identify in INTOSAI standard setting process with changes implemented in 2016?</li> <li>- What are the challenges that remain to improve work processes and mitigate risks?</li> <li>- How can we address those challenges?</li> </ul> <p><b>Expected outcomes:</b></p> <ul style="list-style-type: none"> <li>- List of improvements identified to serve as basis for communication.</li> <li>- Recommendations for further improvements in work procedures</li> </ul>	<p><b>Supporting documents:</b></p> <p>Status of on-going SDP Projects</p> <p>Status on the expected results of the SDP (FIPP document)</p>
	<p><b>12:30-13:45</b></p>	<p><b>Lunch</b></p>	
4	<p><b>13:45-14:45</b></p> <p><b>Governance of FIPP</b> <i>(K2/001 Conference room)</i></p>	<p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>- Discuss how the PSC-SC can effectively fulfill its role as the governance body of FIPP and the role of PSC Chair.</li> <li>- Approve the revised FIPP's Terms of Reference.</li> </ul> <p><b>Initial inputs by:</b> PSC Secretariat, Chairs of CBC and FIPP.</p> <p><b>Points for general discussion (for all participants):</b></p> <ul style="list-style-type: none"> <li>- How can the PSC-SC better fulfill our tasks as the body responsible for the governance of the FIPP?</li> <li>- How can the PSC Chair and Vice-Chair support the PSC-SC in these tasks?</li> <li>- Based on the list provided in the PSC ToR, are there recommendations the PSC-SC wishes to convey to FIPP to improve the way it operates?</li> </ul> <p><b>Expected outcomes:</b></p> <ul style="list-style-type: none"> <li>- Revised FIPP ToR approved.</li> <li>- Actions to be taken by the PSC-SC to fulfill its role as the governance body of FIPP.</li> <li>- Actions to be addressed to the FIPP to improve its work procedures.</li> </ul>	<p><b>Supporting documents:</b></p> <p>PSC Terms of Reference (in particular Annexes 2 and 4)</p> <p>FIPP Terms of Reference (<b>Revised version for approval</b>)</p> <p>Information provided by FIPP</p>

5	<p><b>14:45-16:30</b></p> <p><b>INTOSAI Standard Setting Strategy – Building a Vision for the IFPP</b></p> <p><i>(K2/001 Conference room K2/030, K2/301, K2/401))</i></p>	<p><b>Objectives:</b></p> <p>Discuss and propose elements to establish strategy for the INTOSAI Framework of Professional Pronouncements, IFPP, such as a long-term vision and general characteristics of standards. This Strategy should guide overall efforts and level of ambition for INTOSAI standard and standard setting process, establish general benchmarks against which to measure the organisation’s success as well as provide criteria for the next SDP.</p> <p>PSC Secretariat will explain and guide group work. See concept note for discussion questions.</p> <p><b>Expected outcome:</b></p> <p>Elements to establish and help communicate a INTOSAI standard setting strategy, including a vision and general criteria to support the development of the next SDP</p>	<p><b>Supporting documents:</b></p> <p>Concept note on Strengthening INTOSAI’s Standard and Standard Setting Process</p>
<p><b>16:30-17:00</b></p>		<p><b>Coffee Break</b></p>	
5	<p><b>17:00-18:00</b></p> <p><b>INTOSAI Standard Setting Strategy – Building a Vision for the IFPP (cont.)</b></p> <p><i>(K2/001 Conference room K2/030, K2/301, K2/401))</i></p>	<p>Same as above.</p>	
<p><b>19:00-21:30</b></p>		<p><b>Official Dinner</b></p>	

**31<sup>st</sup> May 2018 - Thursday**

	<b>Topic</b>	<b>Description</b>	<b>Support material</b>
	<b>8:30-9:00</b> <i>(K2 entrance hall)</i>	Security clearance and welcome coffee.	
<b>6</b>	<b>9:00-9:30</b> <b>Miscellaneous</b> <i>(K2/001 Conference room)</i>	<p><b>Objectives:</b> Inform PSC-SC members of administrative issues:</p> <ul style="list-style-type: none"> <li>• Advisory Group</li> <li>• Relabeling and renumbering pronouncements</li> <li>• Use of PSC funds (<b>for possible approval</b>)</li> <li>• Venue and dates for PSC-SC meeting in 2019</li> </ul> <p><b>Input by:</b> PSC Secretariat</p> <p><b>Points for general discussion (for all participants):</b> Questions and observations regarding points presented by the Secretariat.</p> <p><b>Expected outcome:</b> Approval of use of PSC funds.</p>	<p><b>Supporting documents:</b> Independent Advisory Function for INTOSAI Standard Setting</p>
<b>7</b>	<b>9:30-10:45</b> <b>Structure and functioning of INTOSAI standard setting - Principles</b> <i>(K2/001 Conference room)</i>	<p><b>Objectives:</b></p> <ul style="list-style-type: none"> <li>- Feedback on breakaway session on standard setting during last Governing Board meeting.</li> <li>- Discuss general principles for the structure and functioning of standard setting process applicable to INTOSAI and aligned with the vision and ambition defined for the IFPP.</li> </ul> <p><b>Initial inputs by:</b> PSC Secretariat and External Observers.</p> <p><b>Points for general discussion (for all participants):</b></p> <ul style="list-style-type: none"> <li>- Are the principles listed desirable/necessary for INTOSAI Standard Setting? What could or should be added or changed?</li> </ul>	<p><b>Supporting documents:</b> Summary report: Inputs from the breakaway session on standard setting (70<sup>th</sup> GB)</p> <p>Full notes on contributions received</p>

		<ul style="list-style-type: none"> <li>- How far do current INTOSAI standard-setting structure and functioning comply with these principles? (cont.)</li> <li>- Does INTOSAI's current approach to standard setting lead to these principles being followed?</li> </ul> <p><b>Expected outcome:</b> Recommendations for further improvement of standard setting structures and functioning.</p>	Concept note on Strengthening INTOSAI's Standard and Standard Setting Process
	<b>10:45-11:15</b>	<b>Coffee break</b>	
<b>7</b>	<b>11:15-13:00</b> <b>Structure and functioning of INTOSAI standard setting (cont.) – Technical Support Function</b> <i>(K2/001 Conference room)</i>	<p><b>Objective:</b> Discuss and approve the proposal on implementing a technical support function.</p> <p><b>Initial input by:</b> PSC Secretariat</p> <p><b>Points for general discussion (for all participants):</b></p> <ul style="list-style-type: none"> <li>- Elements of the proposal for establishing a proof of concept to start the implementation of the technical support function in INTOSAI.</li> <li>- PSC Chairs proposal for a way forward.</li> </ul> <p><b>Expected outcome:</b> Approved proposal on implementing a Technical Support Function for submission to INTOSAI Governing Board.</p>	<p><b>Supporting documents:</b> Implementing a Technical Support Function <b>(for approval)</b></p>
	<b>13:30-14:15</b>	<b>Lunch</b>	

<p><b>8</b></p>	<p><b>14:15-15:45</b> <b>Next SDP</b> <i>(K2/001 Conference room)</i></p>	<p><b>Objectives:</b> Discuss and approve the proposal for the process of developing the next SDP. <b>Initial inputs by:</b> PSC Secretariat, FIPP Chair, Region Representatives <b>Points for general discussion (for all participants):</b> - Is the proposed process suitable? - Will the proposed consultation lead to enough input from the INTOSAI community and stakeholders? - Should we make the next SDP for a six-year or three-year period? <b>Expected outcome:</b> Approved proposal for the process of developing the next SDP.</p>	<p><b>Supporting documents:</b> FIPP's proposed process for developing the next SDP.  Process for developing the Strategic Development Plan for the IFPP <b>(for approval)</b>.</p>
<p><b>9</b></p>	<p><b>15:45-16:30</b> <b>Closing session</b> <i>(K2/001 Conference room)</i></p>	<ul style="list-style-type: none"> <li>- Wrap-up of work and list of meeting outcomes and decisions.</li> <li>- Farewell remarks by PSC Chair and Vice-Chair.</li> </ul>	



# PSC

## Reporting Dashboards

Goal 1 Strategic Objectives

Cross Cutting Priorities

May 2018



## PSC Progress Report 2018/1

### Strategic Objectives mid-year review (as at May 14<sup>th</sup>, 2018)

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
<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.</p>		<p>Long-term development goals defined</p>	<p><i>Progress to date:</i> Concept paper on Strengthening INTOSAI Standard Setting Strategy for discussion with PSC-SC.</p> <p><i>Key next steps:</i> Evaluate how to implement elements of the strategy.</p>
<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.</p>	<p>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.</p>	<p>FIPP operational</p>	<p><i>Progress to date:</i> Continued maintenance of FIPP membership Revise FIPP ToR</p> <p><i>Key next steps:</i> Select new FIPP Chair (define requirements and conduct process)</p> <p><i>Key Risks:</i> 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
<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.</p>	<p>2. Strengthen standard setting governance structure to enhance the trust of INTOSAI members, donors, and other stakeholders in INTOSAI's standards-setting function.</p>	<p>Governance structure improved</p>	<p><i>Progress to date:</i>            Strengthen PSC-SC's role in the governance of FIPP (for discussion at the PSC-SC meeting)            Revision of FIPP Terms of Reference (for approval at the PSC-SC meeting)            Contribute to FIPP's discussion on its working procedures</p> <p><i>Next steps:</i>            Follow up on publication of all FIPP documents on PSC website            Implement recommendations eventually issued by the PSC-SC</p> <p><i>Key Risks:</i>            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
<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.</p>	<p>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.</p>	<p>INTOSAI provided with adequate technical support services</p>	<p><i>Progress to date:</i>            Proposal for implementation of a Proof of Concept for TSF (to be discussed at the PSC-SC meeting)</p> <p><i>Next steps:</i>            Define professional profile of TSF staff            Define model and obligations of TSF host SAI</p> <p><i>Key Risks:</i>            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>Redraft of MoUs with observers (IFAC and IIA)            Select organisations and send invitations for Advisory Body</p> <p><i>Next steps:</i></p> <p>Sign MoUs            Follow up on Advisory Body invitations</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>Create a page for FIPP in the PSC webpage            Promote the website in the INTOSAI community</p> <p><i>Next steps:</i></p> <p>Present information on the new IFPP to be fully implemented by 2019            Change the website to adapt to the new framework</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
<p>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>2. Strengthen standard setting governance structure to enhance the trust of INTOSAI members, donors, and other stakeholders in INTOSAI's standards-setting function.</p>	<p>ISSAIs availability increased</p>	<p><i>Progress to date:</i> Include in the ISSAI.org webpage links to (non-official) translations</p> <p><i>Next steps:</i> Liaise with regions to encourage new translations Define a protocol for improving quality of translations</p> <p><i>Key risks:</i> 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
<p>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>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.</p>	<p>Due process monitored SDP 2017-2019 revised SDP 2020-2022 approved</p>	<p><i>Progress to date:</i> Revise SDP 2017-2019 Discuss with FIPP the process for development of SDP 2020-2022</p> <p><i>Next steps:</i> Follow the preparation and exposure of the draft of the 2020-2022 SDP Request suggestions to SAIs, INTOSAI bodies and external stakeholders concerning the SDP 2020-2022 / Analyze comments received PSC-SC/GB/INCOSAI approves SDP for 2020-2022</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: see status report of SDP projects</i></p> <p><i>Next steps: see status report of SDP projects</i></p> <p><i>Key Risks:</i> 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> Contact PSC Subcommittees to see the possibility of their participation in projects under the responsibility of the KSC</p> <p><i>Next steps:</i> Comment on project proposals under the responsibility of the KSC</p> <p><i>Key Risks:</i> 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
<p>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.</p>	<p>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.</p>	<p>Collaboration with INTOSAI bodies and other partners broadened</p>	<p><i>Progress to date:</i> PSC Subcommittees work in the 3i Programme according to the ToR signed</p> <p><i>Next steps:</i> Continue support to IDI’s programmes.</p> <p><i>Key Risks:</i> Lack of coordinated initiatives between the PSC, the IDI, the CBC and Regional Organizations aiming at supporting and monitoring the implementation of ISSAIs. <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
<p>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.</p>	<p>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.</p>	<p>Standard setting process takes into consideration feedback received from ISSAI implementation</p>	<p><i>Progress to date:</i></p> <p>Discuss how to strengthen INTOSAI Standard Setting strategy to include elements that encourages needs-based standards and foresee obtaining feedback from users (concept paper for PSC-SC)</p> <p><i>Next steps:</i></p> <p>Implement elements of the strengthened INTOSAI standard setting strategy.</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>

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

## PSC Progress Report 2018/1

**Crosscutting Priorities mid-year review (as at May 14<sup>th</sup>, 2018)**

Crosscutting Priority (as per SP 2017-22)	Progress indicator	Action items and other comment
<p><b><u>Crosscutting Priority 1:</u></b> Advocating for and supporting the independence of SAIs.</p>	<p>SDP 2017-2019 implemented SDP 2020-2022 prepared</p>	<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><b><u>Crosscutting Priority 2:</u></b> Contributing to the follow-up and review of the SDGs within the context of each nation's specific sustainable development efforts and SAIs' 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 (ICS)</p> <p>Synthesize work of AFROSAI-E, EUROSAI, SAI Hungary and others into a toolkit for collecting audit results (ICS).</p> <p>Contribute to ensure the quality of the analysis and reporting of joint IDI/UNDESA document on lessons learned and audit findings from cooperative audits facilitated by the IDI</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><b><u>Crosscutting Priority 3:</u></b> 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>FAAS is developing a new website to facilitate the sharing of financial audit and financial accounting related information with the INTOSAI community.</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><b>Crosscutting Priority 4:</b> 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><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><b>Crosscutting Priority 5:</b> 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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## STATUS OF ON-GOING SDP PROJECTS

(As of April 2018)

### Projects under development

	Project	Responsible group	Current Stage of the Project	Finalising date (as project proposal)
PSC	1.1 Updating the preamble of INTOSAI-P 10 to include a reference to the UNs resolutions on SAIs	Project group led by PSC Chair	Analysis of comments on the exposure draft	November 2018
	1.2 A more principles-based and future-proof ISSAI 200	Financial Audit and Accounting Subcommittee	Exposure draft being prepared	September 2019
	1.3 Consolidate and improve INTOSAI practice notes to ISSAIs	Financial Audit and Accounting Subcommittee	Exposure draft being prepared	February 2020
	2.1 Provide Guidance on Financial Auditing	Financial Audit and Accounting Subcommittee	Exposure draft being prepared	September 2019
	2.2 Provide Guidance on Compliance Auditing	Compliance Audit Subcommittee	Exposure draft being prepared	August 2019
	2.3 Using ISSAIs in accordance with the SAI's mandate and carrying out combined audits.	Compliance Audit Subcommittee	Exposure draft being prepared	December 2020
	2.6 Consolidated and improved guidance on reliance on the work of internal auditors.	Internal Control Subcommittee	Project Proposal being prepared	-



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KSC	2.7 Consolidating and aligning guidance for audits of Privatization with ISSAI 100	Project group to be set up	Initial Review completed	-
	2.8 Consolidating and aligning guidance on ITaudit with ISSAI 100	Working Group on IT Audit	Exposure draft being prepared	November 2019
	2.9 Consolidating and aligning the audit of public debt with ISSAI 100.	Working Group on Public Debt	Exposure draft being prepared	October 2019
	2.10 Consolidating and aligning the audit of disaster related aid with ISSAI 100.	Project group to be set up	Initial Review completed	-
	2.11 Public Procurement audit	Working Group on Public Procurement Audit	Exposure draft being prepared	July 2019
	2.12 International Pronouncement on Jurisdictional Activities of SAIs	Forum of Jurisdictional SAIs (under the Working Group of Value and Benefits of SAIs)	Project proposal conditionally approved by FIPP	November 2019
	3.10 Audit of Key National Indicators - Expressed need for guidance to undertake mandate of SAIs to audit and give assurance on performance indicators.	Working Group on Key National Indicators	Exposure draft being prepared	July 2019

p.s – in the case of projects 2.7 and 2.10, there was no clarity of the outcome of the projects. Therefore, a preliminary group was formed to make an initial review on the existing pronouncements. This work is finalised for both projects. The next step is the preparation of the project proposals.



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### **Projects not initiated**

- 2.5 Consolidated and improved guidance on understanding internal control in an audit
- 3.1 Global INTOSAI messages on SDGs in the context of the INTOSAI framework of professional pronouncements and possible needs for guidance.
- 3.2. Global INTOSAI messages about audit arrangements and independent standard setting in the context of the INTOSAI framework of professional pronouncements.
- 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
- 3.4. Providing a clear set of INTOSAI Core Principles
- 3.5. Consolidate and refining the organizational requirements for SAIs
- 3.6 Cross-cutting issues in ISSAI 3000 and 4000 – requirements for direct reporting engagements and guidance on related technical issues
- 3.7 Auditing of implementation of state budgets and consolidated state accounts
- 3.8 Obtaining an understanding of Economy, Efficiency and Effectiveness of an entity and applying relevant methods in the context of a performance audit
- 3.9 Obtaining an understanding of laws and regulations and other authorities regulating public entities in the context of a compliance audit



## Status on the expected results of the SDP:

### The INTOSAI-Ps, ISSAIs and GUIDs by INCOSAI 2019 and 2022

In 2016 INCOSAI decided that a new INTOSAI Framework of Professional Pronouncements (IFPP) should be implemented as soon as possible and be ready by the next INCOSAI in 2019. The Strategic Development Plan (SDP) for the IFPP for 2017-2019 defined how this overall goal should be achieved and provided for the initiatives needed to further improve and elaborate INTOSAI's professionals pronouncements beyond 2019. The SDP 2017-2019 includes a list of tentative projects organized under three priorities as well as a set of classification principles for the IFPP, which defines the four new categories of pronouncements: INTOSAI-Ps, ISSAIs, GUIDs and COMPs.

Before the individual projects are launched the tentative projects in the SDP needs to be further refined. In each case a project proposal is to be developed by the relevant working groups and approved by FIPP in line with the due process for the IFPP before the drafting work can start. This process is now so well advanced that it is possible to provide a first overview of the planned outcome of the SDP.

The table below therefore provide a list of all pronouncements, which are by March 2018 planned to be part of the IFPP by INCOSAI 2019.

The table is based on the outcome of the four FIPP meetings held after INCOSAI 2016. The information on the planned timeline for individual pronouncements reflects the project proposals developed by the individual working groups and approved by FIPP. FIPP has not attempted to make any forecasts as to whether all projects will be completed as planned and the table does therefore not take account of any possible risks to the planned timeline.

Based on the experience achieved over the last many years in INTOSAI as well as by other standard-setters the expected timeline for developing new pronouncements will normally be longer than 3 years. In general, any pronouncements, which are to be finalized before INCOSAI 2022 will therefore need to be based on the SDP 2017-2019. Project proposals based on the next SDP, which will take effect from INCOSAI 2019, will generally need a timeline aiming at finalization after 2022.

This means that any project proposals aiming at providing new or significantly improved INTOSAI-Ps, ISSAIs, GUIDs or COMPs by INTOSAI 2022 will need to be approved in due time *before INCOSAI 2019*. Such projects may be based on tentative projects under priority 3 of the SDP (which aims beyond 2019) as well as those of the tentative projects under priority 2 where a project proposal has not yet been approved by FIPP.

A list of all tentative projects, which have not resulted in project proposals by March 2018 is provided at the end of this document.

<b>Planned outcome of the SDP 2017-2019</b>		<b>Current status by March 2018:</b>			
<b>Based on current status by March 2018:</b>		SDP project	Stage 1 Project Proposal	Stage 2 Exposure Draft	Stage 3 Endorsement Version
<b>The IFPP by INCOSAI 2019</b>	<b>Pronouncements finalized after 2019</b>				
<b>INTOSAI founding principles</b>					
INTOSAI-P 1 - The Lima Declaration		(1)			
<b>INTOSAI core principles</b>					
INTOSAI-P 10 – Mexico Declaration on SAI Independence		1.1	Approved	Approved	
INTOSAI-P 12 – Value and Benefits of SAIs		(1)			
INTOSAI-P 20 – Principles of transparency and accountability		(1)			
<b>Fundamental principles of public-sector auditing</b>					
ISSAI 100 – Fundamental Principles of Public-Sector Auditing		(1)			
<b>SAI organizational requirements (SAI level)</b>					
ISSAI 130 – Code of Ethics		(1)			
ISSAI 140 - Quality Control for SAIs		(1)			
<b>Financial audit principles</b>					
ISSAI 200 – Financial Audit Principles		1.2	Approved	(Draft expected by 30.05.2018)	
<b>Performance audit principles</b>					
ISSAI 300 – Performance Audit Principles		(1)			
<b>Compliance audit principles</b>					
ISSAI 400 – Compliance Audit Principles		(1)			

<b>Financial audit standards</b>					
ISSAI 2000 – Application of financial audit standards		1.3	Approved	(Draft expected by 12/2018)	
<i>ISSAIs 2200-2815 = ISAs</i>		(1)			
<b>Performance audit standards</b>					
ISSAI 3000 - Performance audit standards		(1)			
<b>Compliance audit standards</b>					
ISSAI 4000 - Compliance audit standards		(1)			
<b>SAI organisational guidance</b>					
GUID 1900 - Peer review guidelines (Pre-IFPP document)					
<b>Supplementary financial audit guidance</b>					
GUID 2900/2010 – Acceptability of a public sector financial reporting framework		2.1	Approved	(Draft expected by 30.05.2018)	
<b>Supplementary performance audit guidance</b>					
GUID 3910 – Central Concepts for Performance Auditing (Pre-IFPP document)		(1)			
GUID 3920 – The Performance Auditing Process (Pre-IFPP document)		(1)			
<b>Supplementary compliance audit guidance</b>					
GUID 4900/4910 – Compliance audit guidelines (working title pending)		2.2	Approved	(Draft expected by 31.07.2018)	
<b>Subject matter specific guidance</b>					
<i>Applicable across different subject matters:</i>					
	(GUIDs 5000-5049 reserved) Using ISSAIs in accordance with the SAI's mandate and carrying out combined audits	2.3	Approved		

			(Minor adjustments)		
GUID 5050 jurisdictional activities of SAIs		2.12	Conditionally approved - Final approval pending		
GUID 5090 - Audit of International Institutions (Pre-IFPP document)		(1)			
GUID 5091 - Arrangements for audit of International Institutions (Pre-IFPP document)		(1)			
GUID 5100 IT Audit		2.8	Approved	(Draft expected by 31.07.2018)	
GUID 5110 Information systems security		2.8	Approved	(Draft expected by 31.07.2018)	
	GUID 5160 Internal Auditors	2.6	(Pending)		
<i>Specific subject matters:</i>					
GUID 5200 - Activities with an environmental perspective (Pre-IFPP document)		(1)			
GUID 5201 - Environmental audit and regularity auditing (Pre-IFPP document)		(1)			
GUID 5202 - Sustainable development - The role of Supreme Audit Institutions (Pre-IFPP document)		(1)			
GUID 5203 – Cooperation on audits of international environmental accords (Pre-IFPP document)		(1)			

GUID 5250 Public debt		2.9	Approved	(Draft expected by 10/07/2018)	
GUID 5259 – Public debt information systems (Pre-IFPP document)		(1)			
GUID 5260 Governance of public assets (Pre-IFPP document)		(1)			
GUID 5270 Guideline for the audit of corruption prevention (Pre-IFPP document)		(1)			
GUID 5280 Public procurement		2.11	Approved	(Draft expected by 05/2018)	
GUID 5290 Key National Indicators		3.10	Approved	(Draft expected by 01/01/2019)	
	(GUID 5320 – Privatisation) (GUID 53xx – Public private partnerships)	2.7	(Pending) (Pending)		
	(GUID 5330 – Disaster management)	2.10	(Pending)		
<b>Other guidance</b>					
GUID 9000 - Cooperative audits between SAIs (Pre-IFPP document)		(1)			
GUID 9010 – The importance of an independent standard-setting process (Pre-IFPP document)		(1)			
GUID 9020 - Evaluation of public policies (Pre-IFPP document)		(1)			
GUID 9030 - Good practices related to SAI independence (Pre-IFPP document)		(1)			
GUID 9040 – Good practices related to SAI transparency (Pre-IFPP document)		(1)			
<b>Compency principles, standards and guidance (COMPs)</b>					

(Currently no planned)				
(1) = The updated pronouncement is produced through the relabeling, renumbering and editorial changes carried out by the PSC Sec in line with the due process for minor editorial changes (see SDP priority 1).				

### List of tentative projects in the SDP 2017-2019, which have not resulted in project proposals by March 2018

Number	Description in the SDP	Potential outcome after 2019 (INCOSAI 2022)
2.5	Consolidated and improved guidance on understanding internal control in an audit	GUID 5150 on internal control
3.1	Global INTOSAI messages on SDGs in the context of the IFPP and possible needs for guidance	Not determined  Revision of GUID 5202 (old ISSAI 5130 from 2016)
3.2	Global INTOSAI messages about audit arrangements and independent standard setting in the context of the IFPP	Not determined  Revision and reclassification of key messages from: GUID 9010 – The importance of an independent standard-setting process (Pre-IFPP document) GUID 5091 - Arrangements for audit of International Institutions (Pre-IFPP document)
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	COMPs – principles, standards and guidance
3.4	Providing a clear set of INTOSAI Core Principles	Revisions and additions in the INTOSAI-Ps 10-99  Might include high-level messages on good governance

3.5	Consolidate and refining the organizational requirements for SAIs	Revisions and additions in: 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	Revisions of ISSAI 3000 and 4000 and/or additional ISSAIs in the 3000-series and 4000-series.  GUIDs in the 3900-series and 4900-series or GUIDs in the range of 5000-5050
3.7	Auditing of implementation of state budgets and consolidated state accounts	Additions to ISSAI 2000  GUIDs in the 2900-series
3.8	Obtaining an understanding of Economy, Efficiency and Effectiveness of an entity and applying relevant methods in the context of a performance audit	Revisions or additional ISSAIs in the 3000-series Revisions or additional GUIDs in the 3900-series
3.9	Obtaining an understanding of laws and regulations and other authorities regulating public entities in the context of a compliance audit	Revisions or additional ISSAIs in the 4000-series Revisions or additional GUIDs in the 4900-series  NB – purpose of SDP 3.9 might be achieved through GUID 4900 resulting from SDP 2.2



# FORUM FOR INTOSAI PROFESSIONAL PRONOUNCEMENTS (FIPP)

## TERMS OF REFERENCE

### INTRODUCTION

In 2014, The INTOSAI Governing Board mandated the chairs of the Capacity Building Committee (CBC), the Knowledge-Sharing Committee (KSC) and the Professional Standards Committee (PSC) to establish a forum of technical experts to address standard-setting issues relating to the INTOSAI Framework of Professional Pronouncements (IFPP). At the XXII INCOSAI in 2016, the Forum for INTOSAI Professional Pronouncements (FIPP) was established as a permanent INTOSAI body.

The creation of the FIPP is intended to ensure a single entry into the IFPP and a more uniform approval process for the ISSAIs and any other pronouncements included in the Framework. FIPP will therefore have general responsibilities for the content and quality of the full set of professional standards as defined by the Due Process for the INTOSAI's Framework of Professional Pronouncements.

It is the intention that FIPP should strengthen INTOSAI as an international standard setter and drive the continued development of appropriate standards for public-sector auditing. Members of FIPP will be expected to engage actively in the standards-developing process and define the appropriate level of requirements for public-sector auditing. FIPP will draw on project groups and the subcommittees of the PSC, CBC and KSC to draft proposals for the individual ISSAIs and other documents for the Framework.

The initial version of the Terms of Reference was approved by INTOSAI's Governing Board in December 2016 at its 68th meeting.

### 1. PURPOSE

1.1 FIPP has been established to support professional development by ensuring that INTOSAI provides a clear and consistent set of professional pronouncements for public sector auditing. FIPP will achieve this through reviewing, monitoring and ensuring, among other things:

- that the ISSAIs and related pronouncements are developed towards a consistent set of professional standards that serve the needs of the members of INTOSAI;
- that the ISSAIs are based on the fundamental principles of public-sector auditing as defined by INTOSAI in ISSAI 100;
- that the ISSAIs contribute to ensuring the efficiency, accountability, effectiveness and transparency of public-sector auditing;
- that the professional standards also provide the basis for capacity development including schemes of education and certification, and facilitate knowledge sharing and verification (SAI peer reviews, SAI PMF, etc.).

## 2. COMPOSITION

2.1 **Membership** – FIPP comprises minimum 10 and maximum 16 members, including the Chair. The appointment of members to FIPP depends on the relevant SAIs' commitment to letting nominees work for INTOSAI for a pre-defined number of hours, as defined in a letter of commitment between the Goal Chairs and the relevant SAI. The supporting SAI is responsible for bearing all costs related to the nominee's participation in FIPP's activities, including the travel expenses for the participation in meetings.

2.2 The chair of Goal 1 (PSC) participates in the meetings of FIPP as a permanent observer and liaison to the PSC Steering Committee and group of Goal Chairs.

2.3 Members of FIPP may be accompanied at meetings by one assistant. Exceptionally, the assistant may attend a meeting without the presence of the respective member. A reasoned request in this regard should be formulated by the member to the FIPP Chair. In this situation, the assistant does not have the right to vote.

2.4 **Qualifications** – Members are appointed on the basis of their expertise in the following areas:

- a. Members should have extensive experience in at least one of the fundamental streams of audit (financial, performance and compliance) and be acquainted with the IFPP. It is also highly desirable to have experience in standard setting on national or international level.
- b. Experience in the following areas is also considered relevant for the selection of the members:
  - Other specialist streams of audit (IT audit, environmental audit, service performance, etc.)
  - Development of audit methodology
  - Management responsibilities for audits
  
  - International cooperation
  - Capacity development
  - Education and training in public-sector auditing
  - Development of competency framework/certification processes
  - Jurisdictional activities by SAIs
- c. Individual members also must be proficient in English, which is FIPP's working language.

Collectively, the membership should reflect the necessary skills, the different types of public-sector auditing and the diversity of the INTOSAI membership.

2.5 **Annual call for nominations** – Every year, the Goal Chairs shall issue a call for nominations for new members of FIPP. The annual call for nominations and the following appointment process will be timed to ensure that new members of FIPP can be approved by the Governing Board at their annual meeting.

The Goal Chairs will appoint members for vacant seats in FIPP, thus bringing the total number of members to maximum 16 by the start of a new year. In the annual call for nominations, the Goal Chairs may, in consultation with the FIPP Chair, decide to advertise for new members with specific competencies needed in the forum like, for instance, expertise in performance audit, capacity development and ITaudit, or use other criteria deemed relevant for the adequate composition of the forum.

**2.6 Appointment process** - Candidates can be nominated by any of the following stakeholders: INTOSAI's Committees, Working Groups established under the Committees, the INTOSAI Regions (AFROSAI, ARABOSAI, ASOSAI, CAROSAI, EUROSAL, OLACEFS, PASAI), the IDI or individual SAI members of INTOSAI. The members are selected through a joint decision by the chairs of the PSC, CBC and KSC following an open call for nominations. The appointment of new members for FIPP shall be presented to the INTOSAI Governing Board for final approval.

**2.7 Duration of term** – Shall be for a period of three years with approximately one-third of the membership rotating each year. Membership can be extended by a further two additional periods of up to three years. However, a member of FIPP is free to leave the forum at any given time – both mid-term or at the end of a term (thus deciding not to seek reappointment). Notice of termination of membership must be given to the Chair of FIPP and the Goal Chairs of the PSC, CBC and KSC.

**2.8 Meetings** – In person meetings will be held a minimum of two times per year and at any other time, as FIPP's role and responsibilities require.

### **3. ORGANISATION**

**3.1 Authority** – The authority of FIPP is defined in the Due Process for INTOSAI's Professional Pronouncements.

**3.2 Obligation** – Members of FIPP are under obligation to act on behalf of and in the interest of the full INTOSAI membership - within the framework of INTOSAI - to promote public-sector auditing of a high quality to the benefit of users of SAI audit reports and the general public.

**3.3 Chair** – The PSC, CBC and KSC Chairs are responsible for appointing the chair, who will primarily be selected among FIPP's members. Beyond the qualifications mentioned in item 2.4 above, the chair should also have superior management skills. The Goal Chairs will seek recommendations from the outgoing FIPP chair in this regard.

**3.4 Working procedures** - The members of FIPP decide on its working procedures. Members may appoint a vice-chair, secretary, etc. as they see fit and define their roles and responsibilities as appropriate.

**3.5 Reporting** – FIPPs reporting on work plans, progress made and other relevant issues will be agreed upon by the FIPP Chair and the Goal Chairs of the PSC, CBC and KSC. The reporting should ensure an appropriate level of alignment with the overall strategy for standards development, transparency and accountability.

#### **4. RESPONSIBILITIES OF THE FORUM**

4.1 In addition to the responsibilities under the Due Process for INTOSAI's Professional Pronouncements, FIPP will be responsible for addressing other cross-cutting issues including, but not restricted to the following:

- providing answers to questions raised by project groups and subcommittees that are drafting ISSAIs or other documents for the IFPP;
- defining common INTOSAI positions on standards-related issues, for instance, on technical matters that are considered by other standard-setting bodies.
- encouraging that the perspectives of auditors as well as users of audit reports and other external stakeholders are considered in the standard-setting process.
- liaising with all INTOSAI Working Groups and Subcommittees that develop content for the IFPP.



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List of changes made to the Terms of Reference for the Forum for INTOSAI Professional Pronouncements (FIPP)

- 1) Language adjustments to improve clarity;
- 2) Item 2.1 Membership: The maximum number of FIPP members was raised from 15 to 16, which actually mirrors current situation. The need for support from the respective SAI was emphasized.
- 3) Item 2.4 Qualifications: differentiation between qualification on at least one of the fundamental audit streams and other desirable qualifications.
- 4) Item 3.3: process for selection of Chair was clarified and basic requirement was established.
- 5) Item 4.1: eliminated the responsibility of “providing answers to questions on the status and interpretation of the ISSAIs”



## *ANNUAL REPORT OF FIPP ACTIVITIES, 2017-18*

This report is addressed to the PSC Steering Committee (PSC-SC) as the body responsible for the governance of FIPP.

### INTRODUCTION

In the last meeting of PSC- SC held in June 2017, FIPP had made a presentation of its activities during 2016-17, which mainly included:

**Reporting on the outcomes of FIPP’s third and fourth meetings:** FIPP’s work during the third meeting resulted in the formal IFPP package which was endorsed by the INCOSAI 2016 and the SDP 2017-19 including the classification principles for IFPP pronouncements, numbering convention and migration plan for migrating the ISSAIs into the IFPP framework. FIPP’s work during the fourth meeting and beyond resulted in the allocation of FIPP liaison officers to SDP projects in order to maintain a continuous communication channel between FIPP and project groups. FIPP also provided Goal Chairs with recommendation on setting up of the project groups by classifying the projects as Model A or B or C based on the nature and scope of individual SDP projects;

**Communication of documents developed by FIPP:** FIPP developed two public documents, namely, Drafting Conventions for GUIDs and Frequently Asked Questions on IFPP and FIPP. FIPP developed the template for receiving SDP project proposals and an approval template for the same. FIPP also initiated work on its internal working procedures;

**FIPP Chair’s communication with the Goal Chairs** regarding progress of the SDP implementation and recommendation on revision of the SDP based on proposals received.

FIPP activities during 2017-18 have been summarised in the paragraphs below. The Goal Chairs were kept informed of all these developments via specific communication from FIPP Chair from time to time.

### MAIN ACTIVITIES DURING 2017-18

1. **FIPP MEETINGS:** FIPP has held three meetings since its last report to the PSC Steering Committee. Results achieved at the end of each of these meetings is briefly described below.
  - i. **Fifth Meeting of FIPP, July 2017:** FIPP undertook a detailed review of the implementation of the current SDP in full conformity with the recommendations issued by the PSC-SC. This included tele-conference exchanges with a number of key players in SDP implementation within the INTOSAI community.

FIPP took note of the recommendations of the PSC-SC on the SDP revision, and provided a status report on the implementation of SDP as well as its recommendations on the amendment to the SDP 2017-19 to the PSC-SC for submission and endorsement by the INTOSAI Governing Board (GB).

**Reference documents:**

- I. FIPP Chair's letter of 25 August 2017 addressed to the PSC Chair and FIPP's Report on the implementation of INTOSAI strategic development plan (SDP) 2017-19.
  - II. Record note of fifth meeting of FIPP.
- ii. **Sixth Meeting of FIPP, Nov 2017:** In its sixth meeting FIPP initiated the work on the planning process for the next SDP and developed a draft roadmap for the planning process. FIPP worked further on the basic numbering principles for the IFPP by refining the numbering schema which would assist the PSC Secretariat to begin the renumbering and relabelling exercise for migrating the ISSAI documents into IFPP framework. FIPP's review of current SDP projects highlighted the need for better communication and support from the Goal Chairs as well as the need for a continuous technical support function for FIPP to allow FIPP's work to be carried on in between meetings. FIPP's preliminary inputs on the planning process for the next SDP and some challenges faced in the implementation of the current SDP were communicated in a letter to the Goal Chairs followed by a skype meeting with the staff officers of the Goal Chairs.

**Reference documents:**

- I. FIPP Chair's letter of 5 February 2018 addressed to the Goal Chairs.
  - II. Record note of sixth meeting of FIPP.
- iii. **Seventh Meeting of FIPP, March 2018:** FIPP carried out review of the SDP projects which were under development, and projects yet to be started and carried out a mapping exercise of pronouncements expected to be ready for endorsement for the next INCOSAI. This resulted in the report on the Status of the expected results of the SDP 2017-19. FIPP also worked extensively on finalising its inputs for the next SDP planning process. Paragraphs 2 and 3 below provide further details.

**Reference document:** Minutes of seventh FIPP meeting.

2. **IMPLEMENTATION OF SDP 2017-19:** To launch a project in the SDP, the relevant project group (a subcommittee of PSC or a working group of KSC or any other project group led by an individual SAI) needs to provide a project proposal in the prescribed template to the FIPP for its review in line with the due process. During the course of 2017-18, FIPP liaison officers interacted extensively with the project groups and in some cases provided the project groups with a written scoping paper for helping the groups to develop their proposals. FIPP took lead in setting up preliminary groups for some projects classified as Model C projects to study the scope of the proposed pronouncements as the scope was not clear to begin with.

Information on the SDP project documents has been shared with the PSC secretariat in the template provided by them.



Based on the project approvals by FIPP and the planned timeline of each project, FIPP carried out a mapping exercise to determine the planned outcome of the SDP 2017-19. According to the mapping of the timelines it is expected that eleven out of twenty four SDP projects under Priority 1, 2 and 3 could be completed by 2019. The actual achievement however will depend on the timeliness of the outputs produced by the project groups and requirements of quality review by FIPP as per the due process. Out of the remaining projects, eleven SDP projects did not result in SDP project proposals as of March 2018, and in two projects (2.7 and 2.10 which are Model C Projects), preliminary groups have recommended three pronouncements for future development.

**Reference document:** Status Report SDP 2017-18- FIPP's Review March 2018

3. **FIPP INPUTS ON PLANNING PROCESS OF NEXT SDP:** Prior to its seventh meeting, FIPP carried out an exhaustive document scan of the existing INTOSAI documents and other relevant international documents to identify possible focus areas for development of further pronouncements for the SDP. FIPP recommended specific action points to the PSC-SC for the planning process for drawing up the next SDP and provided a roadmap and timelines for each of the four stages of the development process culminating in the new SDP document being ready for the endorsement of the GB by September 2019.

**Reference document:** FIPP Chair's letter of 5 May 2018 addressed to the Goal Chairs.

4. **DEVELOPEMENT OF FIPP DOCUMENTS:** During 2017-18, FIPP came out with further two documents for the IFPP and standard setting which are available for public use:
  - i. Renumbering and relabeling of pre-existing ISSAIs and INTOSAI GOVs into the IFPP.
  - ii. Drafting conventions for 'Application Material' within the ISSAIs.

**Reference documents:**

- I. FIPP document of renumbering and relabeling
- II. Drafting Conventions for Application Material within ISSAIs

## 5. OTHER ISSUES

- i. FIPP Terms of Reference (ToR): FIPP accepts the proposal to amend the FIPP's ToR to
  - (a) Enhance the membership from 15 to 16
  - (b) Modify the required qualifications of members/Chair
  - (c) Amend the provision of consultation with outgoing Chair on appointment of new Chair, and
  - (d) Amend provisions regarding responsibility of FIPP in interpretation of standards.
- ii. FIPP's Working Procedures: An advance version of FIPP working procedures draft has been prepared, and the same is likely to get finalised during the next FIPP meeting in August 2018. Please refer to the FIPP meeting minutes of its 7<sup>th</sup> meeting.



- iii. Technical Support Function (TSF): The Goal Chairs have appreciated FIPP's need for technical support and have suggested that since it's a challenging and time taking process, FIPP members may be encouraged to find resources through their own SAI. The Goal Chairs have also offered to take on additional responsibilities in the next SDP planning process. FIPP looks forward to a long term and regular arrangement for technical support and proposes to provide a paper on the expected roles and responsibility of TSF for FIPP.
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# **Strengthening INTOSAI's Standards and Standard Setting Process**

**Concept Note  
May 2018**



**INTOSAI  
PSC**

Professional  
Standards  
Committee

## **Strengthening INTOSAI's standards and standard setting process**

Setting standards for public sector auditing is an important strategic purpose of INTOSAI. Accordingly an important element of its mission is to provide high quality public auditing standards. Having established itself as a standard setter, INTOSAI has over the past years worked to improve the related processes and structures, based on the practical experience of its members.

In 2017, the PSC promoted a broad discussion on INTOSAI's standard setting as part of a commitment to continuous improvement. A review of documents, surveys and other materials confirmed that INTOSAI standards are important to its member SAIs, but raised concerns about the quality of the standards produced so far. There is also a perception that further increasing the level of implementation of INTOSAI standards remains a challenge.

Among the conclusions arising from the discussions, INTOSAI members were supportive of the organisation continuing to build on its status as the leading standard setting body for public sector auditing. However, they recognized the need for clarity regarding its level of ambition for standard setting<sup>1</sup>. In other words, it is not clear what INTOSAI wants to achieve with its standards.

While INTOSAI's current strategic plan and the strategic development plan (SDP) for the IFPP contain many important elements, they do not constitute a fully comprehensive and articulated strategy or long-term vision of what INTOSAI wants with its standard setting activities. To meet future needs, INTOSAI has an interest in developing an appropriate and sufficiently detailed strategic approach setting out the direction for the future and benchmarks for measuring success.

The range and depth of issues raised in the course of the discussions show the interest in undertaking a broader reflection on the level of ambition for INTOSAI standards in order to guide their future development.

This is the ideal moment to further that thinking as the organization is currently in the process of consolidating recent changes in the standard setting process and its new framework of pronouncements (approved in INCOSAI 2016). It is also considering further changes to its structures, such as the introduction of a technical support function. Furthermore, the process for the development of the second strategic development plan is now starting and INTOSAI Goal Chairs have identified the need for this process to be guided by an overall vision to drive the process forward effectively, and to help identify and prioritise projects.

### ***The Strategic Development Plan (SDP) 2017-2019***

The SDP was established by the XXII INCOSAI in 2016, with the aim of providing the general strategy and work plan for INTOSAI standard setting, to be updated every three years. In reality, and partly due to the short time available to prepare it, the 2017-2019 SDP focuses more on the work plan aspect (identifying individual projects), rather than providing a fully-fledged strategic plan for INTOSAI standard setting.

The SDP sets out the overarching objective as being to complete the implementation of the revised IFPP through a broad collaboration with the INTOSAI working groups that provide

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<sup>1</sup> See discussion paper and input from breakaway session: [http://psc-intosai.org/en\\_us/site-psc/news-events/](http://psc-intosai.org/en_us/site-psc/news-events/)

expertise and content for the framework. This transition implied a reflection on how current content should be developed into a complete, relevant and consistent set of pronouncements.

For that, the plan outlined all the initiatives to be taken in order to prepare and initiate individual projects to develop, revise or withdraw pronouncements, allocated into one of three priority categories. However, a lack of overall strategy makes it difficult to gain a full understanding of the justification – and therefore necessity – for the individual projects selected. Furthermore, there was no indication of all potential projects (as far as this is possible), thereby making it difficult to appreciate the prioritisation approach followed or provide a basis to challenge it.

An important success of the SDP has been to introduce the notion of strategic planning in the standard setting process, and to establish a process for preparing the plan, and monitoring its implementation. It represents a significant improvement on the previous ad hoc approach, including introducing the SDP as a practical tool. This provides a good basis to build on and further improve the process in the future, as we embark on the development of the second SDP.

The guidance in the current SDP of a strategic nature is limited, nevertheless the following key issues and principles can be identified:

- to ensure a good understanding of the basic requirements to be met by SAIs to claim ISSAI compliance. This includes clarifying what compliance with ISSAIs entails in practice, including making a clear distinction between the requirements to be met, and guidance on how this can be achieved;
- that ISSAIs should be responsive to changes in the environment (including changes to other auditing standards), while reducing the need for frequent updates by making them principles-based (future-proof);
- INTOSAI principles to be backed by international political declarations, (eg, UN resolutions), to give SAIs greater support on matters such as independence;
- the importance of quality guidance to support successful ISSAI implementation, including drawing more specifically on the fundamental principles set out in ISSAI 100.

While these focus on the framework and support a more general long-term strategy, they are insufficient to represent the level of ambition for INTOSAI's standards, and to guide efforts and strategies over the long-term.

### ***INTOSAI Strategic Plan 2017-2022***

The current INTOSAI strategic plan includes as Goal 1 (Professional Pronouncements):

*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.*

In practice these are two different ways of saying the same thing.

The INTOSAI strategic plan establishes strategic objectives and key strategies, which are a mix of operational and aspirational goals and includes aspects pertaining both to the framework itself and to standard setting activities. They comprise the following:

- INTOSAI wishes to be internationally recognized as a standard setter for public-sector auditing;

- the ultimate goal of INTOSAI standards is to ensure independent public-sector auditing of the highest quality and promote transparency, accountability and effectiveness in government;
- Standards should be recognized by stakeholders as the authoritative framework for public sector auditing;
- INTOSAI standards should be relevant, professional and clear;
- INTOSAI standards should adapt to problems and issues as they arise;
- INTOSAI standards should add credibility to the work of public auditors and the output they produce;
- Standard setting needs to be supported by permanent structures;
- Standard setting should count on an external advisor group;
- the implementation and adoption of standards should be monitored;

These can contribute to a more structured and long-term vision and strategy for INTOSAI's standard setting activities and for INTOSAI standards themselves, which should also take specific account of the deep and interrelated connections between INTOSAI's three goal objectives: professional standards, capacity development and the sharing of knowledge.

The strategic plan recognises this through 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. The document further states that *"the implementation and maintenance of the ISSAIs and INTOSAI products is an INTOSAI-wide task that requires attention on the global, regional and country levels"*.

A long-term vision supported by relevant objective can help drive INTOSAI's overall efforts to be more responsive, coherent, consistent, flexible, goal-driven (rather than structure-driven) and agile, and to support its ambition to be more integrated and strategically focused.

### ***Elements for an INTOSAI Standard Setting Strategy***

Informed by current INTOSAI documents and other documents from the broader audit standard setting community, a two-part discussion is proposed. **First, the focus is on the IFPP**, the INTOSAI Framework for Professional Pronouncements. This exercise should provide us with a long-term vision for the IFPP and set the level of ambition for INTOSAI with its standards. Following this, the **focus turns to the standard setting process** and its current structures and functioning. The aim is to reflect if INTOSAI standard setting is able to support the established vision.

#### ***1) Building a Vision for the IFPP***

Our product, **WHAT** we want to promote to SAIs, both to encourage better implementation and to gather more support for INTOSAI standard setting activities, is the **INTOSAI Framework of Professional Pronouncements, the IFPP**. With this strategy, we should be able to build a vision that shows the value-added of our product, in order to inspire and motivate better implementation and more engagement in the making of standards.

The starting point then is reflecting first on the basic question: **WHY DO WE DO IT?** – Why do we believe in the INTOSAI standards for public sector auditing? What drives our organisation to take on the responsibility of providing standards? Why should SAIs strive to implement it? What is the reason behind having an INTOSAI framework of professional pronouncements?

Based on current INTOSAI documents (SDP, Strategic Plan, and others) the **main purposes/objectives** of INTOSAI standard setting are to:

- guide and inspire SAIs to function effectively and professionally;
- provide a basis to undertake high quality audits, and thereby strengthen the credibility of SAI audit work in the eyes of users and other stakeholders;
- promote transparency of the audit process; and
- stimulate excellence in public audit methodology, including promoting the spread of best practices and professionalism.

The **ultimate goal**, as provided in the current strategic plan is to “ensure independent public-sector auditing of the highest quality and [through this to] promote transparency, accountability and effectiveness in government”.

- ⇒ **Do these completely and appropriately reflect the purposes and goals of INTOSAI standard setting? What could or should be added or expressed differently? What indicators would show that INTOSAI was achieving these purposes/goals?**
- ⇒ **What would be a simple and easy-to-communicate answer to the “why do we do it” question? (Remember this should be inspiring and motivational!)**

After establishing the vision, the second step is to reflect on which should be the overarching characteristics our pronouncements need to have to be able to meet our ambitions? Which principles should be guiding our framework and the individual documents that are part of it? **HOW** are INTOSAI standards going to deliver our vision?

Based on the discussion provided in the think piece “Standard Setting in the 21st Century” by Accountancy Europe (June 2017), the essential characteristics that need to be present in a standard in order for it to meet its objectives are:

- 1) Effective & Principles-based:
  - standards should be clear, relevant and proportionate, responsive to needs and issued on a timely basis;
  - the purpose of, and reason for, a standard should be clear;
  - in the same spirit, standards should be expressed in a principles-based manner, setting out what should be done, but allowing judgement in how it should be achieved.
- 2) Practical & Implementable:
  - standards must be capable of being applied in practice, and scalable for size and complexity as appropriate.
  - standards should be drafted clearly and unambiguously, to allow them to be implemented in a consistent manner [and for that implementation to be monitored];
  - standards should be proportionate to their objective and give a balanced framework of requirements and guidance without unnecessary detail or explanation; and
  - the perceived benefits to stakeholders of a standard should outweigh the associated costs of introducing and applying it.

### 3) Responsive & Stable

- standards should be prepared as soon as possible to respond to newly emerged issues;
- standards should be reviewed from time to time to ensure their continuing relevance and applicability, and updated or adapted to reflect changes in technology, knowledge and professional practice;.
- at the same time, standards should be stable, particularly in terms of the principles they present.

### 4) Technically Sound

- standards should reflect appropriate technical expertise and robustness;

- ⇒ **Are these appropriate characteristics for INTOSAI standards? What could or should be added or changed?**
- ⇒ **How far do current INTOSAI standards met these characteristics?**
- ⇒ **Will they lead to a framework that delivers on our goal?**
- ⇒ **What are the implication of applying these principles to the development of the next SDP?**

Finally, to guide the future development of the framework, in accordance to this strategy, some proposed **criteria** for the selection of individual projects to include in the new SDP based on these considerations:

- a. “Completeness” of the framework (what are considered the “basic” requirements that need to be adequately defined, developed and updated?)
- b. Cost-effectiveness of new documents (proportionate to their objective; benefits should outweigh the cost of implementation – qualitatively and quantitatively);
- c. Relevance of new documents (what change do they want to bring? Do they respond to an identified need? Do they provide a solution to emerging and practical problems? Are they universally applicable or to a sufficient large number of SAIs?)
- d. Relevance of “old” documents (make sure to review and revise or delete existing standards where there is evidence that the standards no longer correspond to professional needs); and
- e. Consistency between documents, in terms of structure, ideas and terms.

## **2) Structure and Functioning of INTOSAI Standard Setting**

After establishing the vision we aim for with the IFPP and the characteristics of the standards need to have in order to reach the objective, it is important to take a critical look into the structures and functioning of our standard setting process to ascertain that our process is able to deliver the kind of standards INTOSAI wants to have.

As INTOSAI implements changes in its standard setting, creating new structures and enhancing processes, and considers further improvements, it is important to analyse how we measure

against established principles. The “Standard setting in the 21<sup>st</sup> century” paper proposed a list of the most appropriate principles that could be taken into account when considering standard setting. These are based on an analysis of current standard setting processes and the changing environment in which standards are set. They take into consideration lessons from the past, ongoing developments and needs and expectations of stakeholders.

INTOSAI’s standard setting was not analysed by the publication. Nevertheless, the principles put forward by the paper offer an opportunity for INTOSAI to consider their importance and application to our own process.

These principles are summarised below:

- A. Legitimacy: ability to set standards that users will follow. A legitimate standard setting process means that standards can appropriately serve their purpose.  
Key factors to determine legitimacy:
  - trust;
  - quality;
  - innovation (responsive to current technological and environmental developments);
  - timeliness (respond as timely as possible to stakeholders’ needs).
  
- B. Independence: issuance of standards without them being affected by any undue influence or conflict of interest that could compromise them.  
Key factors to determine independence:
  - composition of board (balances broader and relevant stakeholder representation and is insulated from undue political or external influence);
  - balanced and sustainable funding model (free from conflicts of interest).
  
- C. Transparency: in relation to the operation and governance of standard setting, publicity of documents and processes.  
Key Factor to determine transparency:
  - decision-making process.
  
- D. Public Accountability: responsibility for actions and readiness to redress issues if needed and appropriate. This is important if a standard setter is to fulfil its public interest obligations.  
Key Factor to determine public accountability is the relationship with the outside world, which includes:
  - outreach to key stakeholders;
  - demonstrate that standards are in the public interest;
  - standards respond to real necessity;
  - impact of standards is evaluated.
  
- E. Due Process: ensure that standard setting is fully responsive to the public interest as well as stakeholders’ needs. Procedure is accountable, transparent and contributes to enhance standards’ legitimacy.  
Key Factors regarding the due process:
  - clearly guide activities and decisions;
  - coordination with other standard setting boards;
  - fair and transparent;

- public interest (guaranteed by an oversight body);
- inclusiveness (widespread and public consultation on key proposals);
- integrity (to safeguard it).

F. Balanced Membership

Key Factors to determine balanced membership:

- board nomination process (diverse, qualified, technically capable);
- role of secretariat (independent and knowledgeable).

- ⇒ Are all these principles desirable/necessary for INTOSAI standard setting? What could or should be added or changed?
- ⇒ How far do current INTOSAI standards comply with these principles?
- ⇒ Does INTOSAI's current approach to standard setting lead to these principles being followed in practice?

### 3) Obtaining data for monitoring

An additional element is the way we can follow-up and monitor the standard setting process. INTOSAI should be able to start understanding better the impact of its standards and the different elements of its standard setting process in order to have a clear picture, assess the current state of play, assess progress against the strategy, and allow for better informed decision-making.

**This strategy should also explore options to obtain more (and better) data on:**

**INPUTS** to the standard setting process and the ACTIVITIES/PROCESSES of the different structures involved in the standard setting process. We should be aware of the amount of resources being employed in the process, timeliness, etc; This is important, for example, in order to ascertain INTOSAI's standard setting "work capacity" and therefore be in a position to plan and prioritize realistically to maximize delivery.

**OUTPUTS** of the standard setting process. We should be able to assert the quality of the products we deliver, as well as their fitness for purpose (based on the principles suggested) and their relationship with standards issued by other standard setters. It is therefore vital to obtain feedback on the use of existing standards, and the need to new or revised standards, to feed into the standard setting process to improve the relevance and quality of the framework.

**OUTCOME** of INTOSAI standard setting, like level of adoption/implementation of the standards by SAIs. Besides also providing feedback into the standard setting process, assessing the outcome of our products will allow INTOSAI to evaluate regularly the cost of its standard setting activities compared with the benefits they bring.

**IMPACT** of the products: are we fulfilling our stated purposes, e.g. in terms of better functioning of SAIs and improvements in the quality of their work and reports?



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## Independent Advisory Function for INTOSAI Standard Setting

The participation of external stakeholders can bring different perspectives and provide valuable feedback to INTOSAI standard setting process, increasing the credibility and the recognition of our standards. Exchange of experience may help harmonise the international public auditing standards and contribute to mutual recognition of each other's' auditing methods. One of the recommendations of the 2014 evaluation report, carried out by SAI Denmark, then Chair of the PSC, was to continue efforts "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" (Recommendation 3).

The current INTOSAI Strategic Plan 2017-2022 recognized the importance of increased external participation and included among Goal 1's Strategic Objectives (1.1) gives the PSC the responsibility to set an independent advisory function as a way to provide a strong organisational framework to standard setting.

During the 14<sup>th</sup> PSC Steering Committee (PSC-SC) meeting in 2017, it was agreed to expand our external stakeholder base and to restructure it **into Advisory Partners and Consultative bodies**.

This arrangement will produce in the short to medium term the following advantages:

- i. It will allow the PSC-SC to continue to benefit from the expertise and experience of the World Bank, IFAC and the IIA, current observers to the PSC-SC.
- ii. It will broaden the range of external stakeholders that will be consulted, without undue administrative burden upon either the PSC or the external stakeholders themselves. A small change will be required to the IFAC and IIA MoUs with the PSC to add a degree of precision to their roles,
- iii. It will be cost efficient compared to consultations organised individually with external stakeholders.

The **advisory partners** would consist of the three current external stakeholders: the World Bank, IFAC and the IIA. All three would continue to be active observers at PSC-SC meetings and, in addition to general advice, would have specific roles, particularly with regard to the external consultation exercise for drawing up the Strategic Development Plan (SDP). Due process states that, in drawing up the SDP, interested parties may provide suggestions to develop revise or withdraw professional pronouncements as appropriate.

Traditionally, relationship between PSC and the advisory partners have been formalised by memoranda of understanding with the exception of the World Bank. The existing memoranda of understanding with the IFAC and the IIA were either at the end of their term validity or had already

expired and both needed to be updated. Following negotiations carried in 2017/2018, both memoranda are essentially complete and are in the final stages of checking before signature.

**Consultative bodies** would consist of all new stakeholders who will be consulted as part of a “virtual community” and would not ordinarily be required to participate physically in meetings. They will be invited to provide comments in the exposure phases and members of this virtual community might be consulted as part of any quality procedures in individual projects for which they have particular expertise. They will have an opportunity to participate in the process of drawing up the SDP, submitting their contributions during the “Gathering Inputs” phase.

In order to establish this new category of external stakeholder relationship, the PSC Secretariat requested the Subcommittees, the Goal Chairs and others to suggest any international bodies whom they felt would be of benefit to their work or could add value to their day-to-day activities. Based on these suggestions and further research by the Secretariat, ten bodies were invited to be a consultative body for INTOSAI standard setting. Invitation letters were sent late February 2018 and a follow up email, detailing further the expected responsibilities was sent in April.

The list of institutions and the status of the communication as of May 14<sup>th</sup> is:

<b>Institutions</b>	<b>Status</b>
American Evaluation Association (AEA)	Not replied
Chartered Institute of Public Finance and Accountancy (CIPFA)	Positive reply
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	Positive reply
European Evaluation Society (EES)	Not replied
Global Initiative for Fiscal Transparency (GIFT)	Positive reply
International Budget Partnership (IBP)	Not replied
The International Consortium on Governmental Financial Management	Positive reply
Inter-Parliamentary Union (IPU)	Not replied
Organisation for Economic Cooperation and Development (OECD)	Positive reply
Public Expenditure and Financial Accountability Framework (PEFA)	Waiting for meeting

The PSC Secretariat will continue the efforts to obtain a reply from the remaining institutions. The institutions that have replied positively to our invitation will already have a chance to participate in the upcoming consultation phase of the next SDP.



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## INPUTS FROM THE BREAKAWAY SESSION ON STANDARD SETTING 70<sup>th</sup> INTOSAI Governing Board Meeting

During the 14th meeting of the PSC Steering Committee (June of 2017) a discussion was held on the options for setting up a possible technical support function (TSF) 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 for the Governing Board, reflecting the discussions held about the theme.

The paper was presented to the INTOSAI Governing Board on its 70<sup>th</sup> meeting in Graz, on 7/8 November, 2017 and discussed during a dedicated session. Members were invited to discuss based on the three broad questions. The contributions received during the session, and by email shortly afterwards, are summarized below. A full account of all the contributions received is included in the annex.

### **1) The discussion paper shows evidence that the INTOSAI community considers the pronouncements to be relevant, but their effective level of implementation seems to be low. What are the main reasons?**

The views expressed by GB members confirm the evidence that the pronouncements are relevant/important, but that their implementation seems to still be low. Many contributions have pointed out the need to acknowledge the achievements INTOSAI had in the last 20 years in the development of standards and that ISSAI implementation is a long and difficult journey. This seems to show that, despite implementation still being considered low, members see advancements in the path to ISSAI implementation. They are, however, aware of the challenges and the need to give SAIs time to overcome these challenges. There is wide recognition that ISSAI implementation is not only a matter of developing manuals, but also needs to be supported by SAI leadership commitment and an effective change management approach.

For INTOSAI to better start understanding implementation, a good starting point would be to get a common INTOSAI understanding/definition of what we mean by ISSAI implementation. It is not just saying that a SAI has adopted the ISSAIs, but assessing if true changes have taken place. For that, GB members consider that the best, and maybe only, way to assess ISSAI implementation is through SAI-PMF. As the number of completed SAI PMFs increases, the picture will become clearer.

**2) Is INTOSAI giving enough priority to ISSAI implementation in its activities? If not, what else can be done? What could be the roles of PSC and other INTOSAI committees in this regard?**

The contributions received recognize the important efforts carried out by IDI's 3i programme in advancing ISSAI implementation. Nevertheless, some important challenges were mentioned, and members put forward the following suggestions:

- Improve quality of translations;
- Translation to more national languages is crucial;
- Handbooks are very important for users and the Regions could be involved in developing more comprehensive and concrete guidance (this could accompany the standards as a package for implementation);
- Secondment of experienced staff to SAIs requiring support;
- More accurate and timely inputs about standards implementation - INTOSAI regions can provide useful insight in this regard by preparing regional reports on a regular basis;
- Use of appropriate IT tools;
- Provision of support and advice on issues such as the implementation and interpretation of the pronouncements (to be done by those INTOSAI working bodies responsible for the particular pronouncement, or as a specific role for the Technical Support Function);
- promote and facilitate good practices in peer-to-peer cooperation and encourage a focus on ISSAI implementation (CBC and INTOSAI Regions);
- Raise awareness on professional pronouncements with SAI senior management, through workshops held every few years (or more frequently as necessary);
- For INTOSAI to encourage INTOSAI-Donor Cooperation donors to allocate even more resources to support the implementation of pronouncements;
- Feedback loop to FIPP and the PSC in terms of the understandability and usability of the pronouncements. By learning from experience, we can support future ISSAI implementation initiatives with pronouncements that are easier to understand and use.

**3) Is the current set-up likely to provide standards for SAI auditors with an appropriate level of quality, or should INTOSAI promote deeper change the way it produces its standards, for example by moving closer to other standard setting organisations such as IFAC and IIA?**

In general, members were supportive of the importance of INTOSAI maintaining its status as the leading standard setting body for public sector auditing. However, they recognized the need for clarity regarding its level of ambition for standard setting.

Although there were many comments regarding the working of the Forum for INTOSAI Professional Pronouncements, there is also wide recognition that as FIPP is still a relatively new body, it is too early to judge whether it is successful or not. Many have highlighted that for FIPP to perform its work independently and effectively -- and therefore be credible -- it needs appropriate resourcing and support. This likewise requires the support of INTOSAI's leadership.

There seems to be a general consensus about the benefits of establishing a technical support function for INTOSAI's standard setting process, as an essential next step in the development of that process. The TSF would increase the capacity of the standard setting process, in line with INTOSAI's ambitions.

Those members who raised doubts were mainly concerned about the possible risks to independence of bringing into INTOSAI standard setting non-SAI representatives and external financial resources (eg, from donor agencies).

Therefore, any concrete proposal for moving the project forward should take these concerns into consideration. Other suggestions to deal with limited resources available to INTOSAI standard setting included prioritizing projects in accordance with the INTOSAI Strategic Plan, expanding the number of FIPP members or creating FIPP observers and rescheduling SDP implementation by extending some of the deadlines.

Another important aspect brought up by the comments were concerns regarding independence of INTOSAI standard setting, since SAs are presently developing technical content to be applied by SAs themselves. Independence and public interest are a core concern for other standard setters worldwide. There is a view that a permanent technical body could also support specific public interest activities.

**Some recommendations that we can take for the new SDP:**

- Ensure the SDP focuses on the highest priority projects only, and doesn't overstretch INTOSAI's capacities;
- Standards should be fit for purpose, and take account of the views of different stakeholders;
- Improve the transparency of the development of the SDP - SAs must be given sufficient time to provide their feedback;
- The SDP should be more flexible in accommodating urgent issues, and be based on the needs of the INTOSAI community;
- Guidance development based on a more significant contribution from INTOSAI regions should be encouraged and welcomed as an integral part of the standard setting process.
- Proposals need to be ambitious in their conception, but realistic in their execution.

**The full notes for contributions received during the discussion session of the 70<sup>th</sup> GB meeting and further comments received by emails after the meeting are available at [http://psc-intosai.org/en\\_us/site-psc/news-events/](http://psc-intosai.org/en_us/site-psc/news-events/)**



# Implementing a Technical Support Function

Proof of Concept Proposal  
May 2018



INTOSAI  
PSC

Professional  
Standards  
Committee

## Summary

*Providing INTOSAI with a Technical Support Function (TSF) for its standard setting activities is part of the current Strategic Plan (strategic objective 1.1). The benefits of establishing a TSF were raised in the 2014 Evaluation Report, and include bringing more stability and predictability to the standard setting process and enabling better planning.*

*This paper recommends the launching of a proof-of-concept exercise by setting up a focused and time-limited TSF, with appropriate review arrangements. The present proposal is based on initial discussions held during the 14th PSC Steering Committee meeting in June 2017, and on further considerations of members of the INTOSAI Governing board during its 70th meeting in November 2017.*

*The proposal, when approved by the PSC-SC, will be taken forward to the 71st INTOSAI Governing Board in November 2018 for consideration.*

## Background

In 2014, the SAI of Denmark, then Chair of the PSC, carried out a detailed assessment of the standard setting function and formulated recommendations for the improvement of this function (Evaluation and Recommendations to improve INTOSAI's standard setting). These recommendations were presented to the INTOSAI Governing Board at the end of that year. In the report, there were six recommendations dealing with several aspects of the standard setting function. One such recommendation was the adoption of "the first steps to establish common supporting functions"

Among other outcomes, this report contributed to the current INTOSAI 2017-2022 strategic plan. The strategic objective of the plan is 1.1 – to "provide a strong organizational framework to support INTOSAI's standard setting including a permanent standard-setting board (the common forum), a technical support function, and an independent advisory function".

To initiate the discussions regarding implementation of this technical support function, the PSC Chair prepared and presented to the PSC Steering Committee (PSC-SC) in 2017 a document called "Reflections on a technical support function for INTOSAI's standard setting activities"

In the intense discussions during the meeting, fundamental issues were raised, some of which were related, but not limited to, the TSF. The PSC-SC decided to mandate the PSC Chair to produce a document and to convey the main issues to the INTOSAI Governing Board to obtain additional backing regarding the development of INTOSAI standard setting in, including the TSF issue.

The document in question was prepared and discussed at a dedicated session of the INTOSAI Governing Board meeting. The opinions collected at the time (and later, via an extensive e-mail exchange) were consolidated in documents available on the PSC website.

This discussion and further contributions showed that there seem to be a consensus about the benefits of establishing a technical support function for INTOSAI's standard setting process, highlighting it as an essential next step in the development of that process. This paper, therefore, presents concrete measures to advance towards the effective implementation of the TSF, by proposing a proof of concept exercise.

## Why have a Technical Support Function?

The current arrangement for standard setting in INTOSAI brought about significant advances, with the development of a set of relevant standards that resulted in effective benefits to the SAIs that adopted them.

Nevertheless, some elements of our standard setting processes and structures seem to represent barriers for INTOSAI to continue on this path of evolution and to reach a new level of quality and consistency in its professional pronouncements framework.

Today, we have a standard setting process that depends entirely on voluntary work, through in-kind contributions, by audit professionals and it is always difficult to estimate the type and amount of resources which are available for standard setting activities, and the priority to be given to this type of work by their employers. In addition, the whole process is very dependent on some SAIs that are able and willing to dedicate a significant level of resources to this type of activity. This includes taking on the necessary administrative and coordination tasks, as is the case of leadership of the INTOSAI bodies involved in this process.

We need to acknowledge, and applaud, that these are the defining characteristics of our organization and recognise the invaluable exchange of experiences and generous participation arising from it. Nevertheless, the previous discussions on establishing a TSF indicate that we need to adopt mechanisms to reduce our dependency on voluntary labour and bring more stability and predictability to the standard setting process (enabling better planning and better estimating the required workforce).

The creation of a permanent structure, staffed with dedicated and full-time employees would meet this objective. The scope of the mandate of the TSF is still open and it would be up to the INTOSAI to decide on this issue, as well as how to structure and finance this service. The main purpose of this document is to present alternatives and, in view of the reasons we will outline below, make a concrete proposal on which activities the TSF could perform and suggest a model for funding it to begin its implementation.

## Demands for a Technical Support Function

Due process for the INTOSAI Framework of Professional Pronouncements outlines the procedures for developing, revising and withdrawing ISSAIs and other pronouncements. Based on our analysis of this, we present in the table below the whole range of activities which could potentially be carried out by a TSF. We also show to which INTOSAI groups this support would be given to and whether the activity is mainly administrative or technical<sup>1</sup>. The term technical here refers to activities that deal more directly with the content of possible projects, proposals or pronouncements drafts in all stages of Due Process. Administrative activities, even though they might require knowledge of INTOSAI and its processes, are more operational in nature.

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<sup>1</sup> In the table, the term working group refers to any group in charge of drafting standards under the current arrangement of standard setting in INTOSAI.

	Activity	Supported group	Type of Function
<b>Preparation of the Strategic Development Plan</b>			
1	Technical support on the formulation of suggestions of projects for the SDP	Working Groups and INTOSAI Committees	Technical
2	Technical support on the formulation of proposal for the SDP	FIPP	Technical
3	Technical support in processes relating to the approval of the SDP	Goal Chairs and PSC-SC	Technical
<b>Phases of Due Process</b>			
4	Technical support in preparing the “initial assessment” related to a specific project	Working Group	Technical
5	Draft initial assessment and project proposal for a specific project in the SDP	Working Group	Technical
6	Conduct research and technical analyses to support the approval of the project proposals	FIPP	Technical
7	Draft the exposure version in accordance with drafting conventions, whilst ensuring consistency and avoiding overlaps with existing pronouncements;	Working Groups	Technical
8	Conduct research and technical analyses to support approval of the exposure draft	FIPP	Technical
9	Organize comments on the exposure phase	Working Groups	Administrative
10	Analyse the comments received at exposure and prepare a draft position for consideration by the Working Group	Working Groups	Technical
11	Draft the endorsement version of the pronouncement	Working Groups	Technical
12	Make an initial evaluation whether comments were analysed appropriately by the working group to support the approval of the endorsement version by FIPP	FIPP	Technical
13	Manage the process on the ISSAI website	PSC Chair and Working Groups	Administrative
14	Provide language and consistency revision to the drafts produced in English	All	Administrative / Technical
<b>Institutional Support</b>			
15	Provide draft responses on questions about INTOSAI procedures and Due Process	PSC Chair	Administrative
16	Manage communications and communication tools, such as websites, newsletters and community fora	PSC Chair and FIPP <sup>2</sup>	Administrative
17	Manage the day-to-day business of FIPP (drafting agendas, preparing decisions, taking minutes, advising the Chair on rules and procedures, maintaining the corporate memory)	FIPP	Administrative

As can be seen, the list of activities that could in theory be carried out by the TSF is extremely wide ranging from general activities, encompassing more administrative support, to specific activities that are more technical in each one of the stages of the Due Process, including even actual drafting of the standards themselves.

<sup>2</sup> Working groups carry out several activities other than standard setting, thus, we did not include in this activity management of the Working Group websites or their communication activities, but rather only those that relate exclusively to standard setting. That is why support in this activities refers solely to the PSC Chair and to FIPP

## Moving Forward: Proof-of-Concept Proposal

The range of services (set out above) which a TSF might provide are a legitimate ambition for any professional standard-setting body. However, there are a number of different factors which we must consider to best define what kind of activities the TSF should be responsible for, and how it should be organized. The PSC Chair recommends launching a proof-of-concept exercise by setting up a narrowly focused and time-limited TSF with appropriate review mechanisms.

The following are the fundamental criteria we took into account in order to make the proof-of-concept proposal:

Simple: elaborate structures and significant reorganization should be avoided; the proof-of-concept should be integrated as far as possible into existing structures; it should be as simple as possible to set up the TSF and, if so decided, to close it at the end of the proof-of-concept exercise.

Sustainable: it should be possible to maintain the solution adopted for the proof-of-concept throughout the whole period of the exercise. Furthermore, if the evaluation were to conclude that the TSF should be discontinued, this should take place with minimum disruption to ongoing work at the time, and without loss of valuable experience and documentation.

Scalable: the proof-of-concept should be a limited exercise. However, if early successes result in a decision to expand the experiment, this should also be possible without too much difficulty.

In order to have sufficient time to establish the TSF as a functioning body, draw experience from it, evaluate that experience and, if decided, close it in an orderly way, if necessary; we suggest that the proof-of-concept exercise should last for five years.

There are four major aspects to be considered regarding the TSF in its initial experimental period: **staff, costs and funding, definition of the activities to be carried out by the TSF, and management and governance**. These are detailed below.

### Staff

**Proposal: three to five full time employees, located at a host SAI, seconded by their parent SAIs for a limited period.**

Although limited in scope, the proof-of-concept exercise will need a minimum critical mass to represent a meaningful experience. We suggest that the TSF comprises three to five people in this exercise. Initially, we understand three people should be allocated and after some time and depending on the work load, the situation would be assessed and the staff could eventually increase up to five.

As part of making the proof-of-concept meaningful, we consider that the TSF team members should be located together on one site. This will:

- I. help to promote synergies between members of the team;
- II. promote the development of working practices and the exchange of experience and ideas; and
- III. facilitate management and governance.

To allow team members the space and appropriate conditions to work together on one site, we suggest that one SAI or other organization from the INTOSAI community host the TSF. This would

imply also that the host SAI would have to establish some form of contractual employment relationship with the team.

We have identified three current employment models that a TSF might use. The first is to establish a foundation under the national law of the host country that employs the staff (“foundation” model – similar to IDI). In the second model, the host SAI (or other INTOSAI organization) employs the staff directly (“direct” model). In the third, a parent SAI secondes the staff member to the TSF and the host organization pays a top-up expatriation allowance, if necessary (“secondment” model).

Table 1 (annex) compares these models for a time-limited proof-of-concept exercise against the “simple”, “sustainable” and “scalable” criteria. It suggests that the secondment employment model will probably be the most suitable for the proof-of-concept exercise.

Taking account of the TSF tasks outlined in the table above, the staff of the TSF should have professional profiles and experience of a level commensurate with the work, to ensure the credibility of the function. Collectively, this should include, inter alia, knowledge of and experience in the three audit streams, a good understanding of the IFPP and of due process and skills in communication and teamwork. Being fluent in English is another requirement and it would probably be helpful that at least one of the staff members have excellent command of written English, particularly if the TSF is to provide language revisions to drafts. A next step in this area would be to develop profiles, job descriptions and descriptions of required skill sets to be used in the recruitment process.

### **Costs and funding**

**Proposal: shared costs between host SAI and parent SAIs seconding their staff, contribution from INTOSAI funds or other SAIs. No outside funding.**

Major drivers of costs will be the sources (parent organizations) of seconded staff and the location of the host organization.

We should also note that the then INTOSAI Finance and Administration Committee (FAC), in 2014, when analysing the “Evaluation Report” produced by the then PSC Chair, stressed that “obtaining external funding for a TSF is neither promising nor desirable, and that funding should come from within INTOSAI”. We share this viewpoint, as if we wish the TSF to be sustainable we should avoid being in a position of always having to find external donors willing to finance the TSF, which could also potentially compromise independence of the standard setting process as a whole. Thus, at this stage, we will assume that the TSF should be financed by INTOSAI’s own resources and that of its members.

We anticipate that the largest part of the required funding will inevitably fall upon the TSF host organisation and upon the parent SAIs of the staff seconded to the TSF. However, it would be wholly appropriate for INTOSAI to demonstrate its commitment to the TSF by making a meaningful financial contribution, within the limits of its budgetary resources, to the annual costs of the proof of concept exercise. As the TSF will support the standard-setting activities of the PSC, the CBC and the KSC, they should consider this question. The fourth goal chair – the Policy, Finance and Administration Committee (PFAC) – should also be invited to consider giving budgetary priority to this exercise.

Along the same lines, it would be desirable, as a way of demonstrating a broad support from the INTOSAI community, that some SAIs consider making further voluntary contributions to the exercise.

### **Definition of activities**

**Proposal: Analysing the set of activities listed in the table above in the light of the criteria below, we propose that the TSF execute, at least in its initial stage, the following functions<sup>3</sup>:**

- a) Technical support on the formulation of proposal for the SDP (activity 2);
- b) Technical support in processes relating to the approval of the SDP (activity 3);
- c) Conduct research and technical analyses to support the approval of the project proposals (activity 6);
- d) Conduct research and technical analyses to support the approval of the exposure draft (activity 8);
- e) Organize comments on the exposure phase (activity 9);
- f) Make an initial evaluation whether comments were analysed appropriately by the working group to support the approval of the endorsement version by FIPP (activity 12);
- g) Manage the process on the ISSAI website (activity 13); and
- h) Provide language and consistency revision to drafts produced in English (activity 14).

We considered several factors when selecting the activities that will be initially carried out by the TSF:

- 1) organizational culture – we should avoid allocation of activities that represent a big change of values and culture in INTOSAI, especially as the proof of concept is initially of a temporary nature;
- 2) workable – the volume of activities allocated to the TSF needs to be compatible with the workforce and its experience;
- 3) impact - we should promote the activities that have the potential to generate the greatest impact on the quality of the standards. Thus, we should prioritize the activities of a technical nature rather than those which are purely administrative; and
- 4) “segregation of functions” – the TSF, in its supporting role, will work with different INTOSAI bodies that may in cases be responsible for different tasks within the same process. Therefore, and to prevent as appearance of bias, we tried to avoid listing activities that would entail simultaneous support to those bodies. For example, providing support to project groups in the task of analysing comments received in the exposure draft and at the same time, supporting FIPP in its responsibility of analysing if all the comments were appropriately reflected in the endorsement version.

Of course, when the TSF is up and running, it is possible that we will need to refine the initial list based on practical experience to promote best practice and to address any new needs.

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<sup>3</sup> Table 2 in the Annex lists the other activities initially mentioned and which criteria they do not fulfil and therefore are not being considered as part of tasks to be performed by the TSF during the proof-of-concept exercise

This will entail working closely with those in charge of governance of the TSF (see the following section of this document), especially in the initial period of implementation.

### **Management and Governance**

#### **Proposal: PSC, CBC and KSC Chairs.**

Following the principle of grafting a TSF on to existing INTOSAI structures and considering the permanent and rather practical mission of the TSF, it would be appropriate that the management and governance of the TSF be performed by the PSC, CBC and KSC Chairs. It is worth mentioning that these Goal Chairs have already established an informal but efficient platform for mutual collaboration, that would be used to govern the work of the TSF. It is not expected the Goal Chairs to micromanage the daily work of the TSF, but rather establish directions, priorities and lines of action. One of the members of the TSF would have a coordination role for this routine management function and should report to the Goal Chairs.

As the majority of the activities to be performed by the TSF will be in giving support to FIPP, it is also relevant that the FIPP Chair be involved in this process.

The Goal Chairs would be responsible for bringing to the PSC-SC consideration any strategic decision that may arise regarding the TSF work.

**In conclusion, it is recommended that a five-year proof-of-concept exercise is launched by setting up in an INTOSAI member (host) SAI a TSF of three seconded staff. This exercise should include appropriate follow-up and review mechanisms, including an intermediate evaluation by the PSC Chair after three of years of operation and a final evaluation after five years, to consider options for the future. The Goal Chairs should be responsible for the governance of the TSF.**

### **Next Steps**

The PSC-SC in its 15th meeting (May 2018) is invited to:

- a) approve this proposal and forward it to the 71st INTOSAI Governing Board;
- b) mandate the PSC Chair to carry out the following preparatory work:
  - I. develop, in collaboration with the Goal Chairs and the FIPP Chair, profiles, job descriptions and descriptions of required skill sets to be used in the recruitment process, along with the recruitment procedure to be followed;
  - II. develop, in collaboration with the Goal Chairs, a model for host SAIs, including a detail list of obligations they would have to commit to, along with the selection procedure to be followed.

The PSC Chair will take this proposal to the 71st INTOSAI Governing Board in November 2018 for approval. On the same occasion, GB members will also be asked to approve the launch of a call for selection of the host SAI.

**Annexes:**

**Table 1: Comparison of the three employment models against the simple/sustainable/scalable criteria**

**Table 2: Activities initially mentioned and which criteria they do not fulfil**

**Table 1: Comparison of the three employment models against the simple/sustainable/scalable criteria**

Criteria	Employment Model		
	Foundation	Direct	Secondment
Simple	This model would be complex to set up, requiring a thorough understanding of the national law and tax regime of the host country.	May be subject to some complexities, depending upon the budgetary and recruitment rules of the host organization. However, it may be possible to graft the TSF on to an existing INTOSAI structure, such as the secretariat of an INTOSAI region	This may be the simplest model to put into use quickly as many SAIs have existing inward secondment programmes that might rapidly be adapted to the needs of the TSF
Simplicity score (out of 6)	1	3	6
Sustainable	Under some national employment law, full-time employment in excess of a certain period may give rise to employee rights that might make closing the TSF down legally difficult and expensive. "Parent" organization may have to give a "right of return" guarantee. A foundation would not have pre-existing infrastructure to use (premises, IT support, etc.). In addition, meeting the legal, etc., requirements of the Foundation (such as lodging annual accounts and tax returns with national authorities) would distract TSF staff from core functions.	Assumes full commitment is given by the host and parent organizations for the period concerned. Under some national employment law, full-time employment in excess of a certain period may give rise to employee rights that might make closing the TSF down legally difficult and expensive. "Parent" organization may have to give a "right of return" guarantee.	Assumes full commitment is given by the host organization for the period concerned. If grafted on to an existing secondment scheme, this model should be entirely sustainable. A "right of return" guarantee could be written into the secondment agreement with the "parent" organization.
Sustainability score (out of 6)	2	4	6
Scalable	Scalable	Scalable, subject to the budget laws of the host organization which might place a limit on the total number of posts that the budget can fund.	Scalable
Scalability score (out of 3)	3	2	3
Total score (out of 15)	<b>6</b>	<b>9</b>	<b>15</b>
N.B. Higher scores indicate a higher level of achievement of the criterion in the context of the proof-of-concept exercise			

**Table 2: Activities initially mentioned and which criteria they do not fulfil**

	<b>Activities</b>	<b>Criterion(a)</b>
1	Technical support to inform formulation of suggestions of projects to comprise the SDP	Workability (potential very high demand)
4	Technical support to inform elaboration of the “initial assessment” related to a specific project	Workability (high demand, considering the number of SDP projects) and Segregation of Functions (since the TSF will have a relevant role in supporting the FIPP in approval of the project proposal)
5	Draft initial assessment and project proposal for a specific project in the SDP	Organizational culture and feasibility
7	Draft the exposure version in accordance with drafting conventions, whilst ensuring consistency and avoiding overlaps with existing pronouncements;	Organizational culture and feasibility
10	Analyse the comments received at exposure and preparing a draft position for consideration of the Working Group	Workability (high demand, due to the number of SDP projects) and segregation of functions (since the TSF will have a relevant role in supporting the FIPP in approval of the exposure draft)
11	Draft the endorsement version of the pronouncement	Organizational culture and feasibility
15	Provide draft responses on questions about INTOSAI procedures and Due Process	Impact
16	Manage communications and communication tools, such as websites, newsletters and community fora;	Impact
17	Manage the business of FIPP (drafting agendas, preparing decisions, taking minutes, advising the Chair on rules and procedures, maintaining the corporate memory)	Impact



05 May 2018

Minister Reimundo Carreiro, Presidente do Tribunal de Contas da União, INTOSAI PSC Chair

Mr Rajiv Mehrishi, Comptroller & Auditor General of India, INTOSAI KSC Chair

Mr. Kimi Makwetu, Auditor General of South Africa, INTOSAI CBC Chair

Dear Goal Chairs

**Subject: Proposed process for developing the next Strategic Development Plan (SDP) for the INTOSAI Framework of Professional Pronouncements (IFPP) and criteria for prioritising projects**

The XXII International Congress of Supreme Audit Institutions (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 to clarify the requirements Supreme Audit Institutions (SAIs) must meet to claim compliance with the International Standards of Supreme Audit Institutions (ISSAI), placing ISSAI 100—the fundamental principles of public sector auditing—at its centre<sup>1</sup>. It also explains the framework's scope with revised and refined classification principles and criteria as well as introducing a clear distinction between the INTOSAI Principles (INTOSAI-P), the standards (ISSAI) with which SAIs must conform to claim ISSAI compliance, and Guidance (GUID).

Secondly, the INCOSAI endorsed a number of substantial revisions to its due process, the procedures by which it issues professional standards and other pronouncements. Two key changes to due process are:

- the creation, on a permanent basis, of the Forum for INTOSAI Professional Pronouncements (FIPP) as 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, as well as the general public<sup>2</sup>;
- the introduction of the strategic development plan (SDP), which is "*a general strategy and working plan for the development of the framework towards a clear, consistent and adequate set of professional pronouncements*"<sup>3</sup>.

In the run-up to the 2016 Governing Board meeting and the INCOSAI that followed immediately after, in view of the limited time available, FIPP proposed and the PSC-SC (including the chairs of the CBC and KSC) approved a first SDP covering 2017 to 2019 with only limited consultation. This plan, which largely focuses on putting in place the revised IFPP, is presently being implemented. Work has now started to prepare the second SDP.

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<sup>1</sup> Particularly, when an SAI is seeking to claim compliance under paragraph 10 of ISSAI 100 – by adopting "*the General Auditing Guidelines as their authoritative standards*".

<sup>2</sup> FIPP 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

<sup>3</sup> All quotations in this and the following section are taken from "Due process for INTOSAI's framework of professional pronouncements", 2016, English-language version, page 4. See <http://psc-intosai.org/en-us/site-psc/psc/due-process/>

### The requirements of due process

As well as defining the SDP (as mentioned above, as “a general strategy and working plan for the development of the framework towards a clear, consistent and adequate set of professional pronouncements”), due process states that “Decisions on the organisation of the planning process and the content of the plan shall be taken by the PSC Steering Committee with the consent of the chairs of the CBC and the KSC and shall be based on proposals elaborated by FIPP”.

The SDP assembles “all initiatives to develop, revise, or withdraw professional pronouncements”. Furthermore, “Any INTOSAI member or other interested parties may provide suggestions in this regard for consideration and prioritisation in the planning process”. In effect, the SDP is the vehicle for launching projects to revise, withdraw or create new professional pronouncements in the IFPP. There is no requirement that these projects are completed within the time period of the SDP concerned.

The procedure for drawing up the SDP includes the following:

- “... public consultations to encourage input from 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 objectives 1, 2 and 3 of INTOSAI’s strategic plan”; and
- “The PSC consults with all affected parties before the plan is finalised<sup>4</sup> and presented to the INTOSAI Governing Board for endorsement”.

In view of the above due process requirements, FIPP has developed three proposals for the organisation and content of the next SDP. These are outlined in the sections below covering:

- the steps and timetable for the proposed process;
- the technical organisation of the proposed process; and
- the shortlisting criteria that FIPP will use when examining suggestions.

### Steps and timetable for the proposed process for drawing up the next SDP

FIPP’s proposal for the steps and timetable for drawing up the next SDP, which is in full accordance with the requirements of due process, is set out in detail in annex 1. This proposed timetable takes account of the date of the Governing Board meeting - September 2019 - at which the SDP must be endorsed. It is broken down into four phases – “scanning”, “gathering inputs”, “development” and “approval” – each with a number of steps.

Within the “scanning” phase, FIPP has already completed the work foreseen and the results of this are set out in the next section.

In the “gathering inputs” phase, FIPP proposes that inputs are sought from three distinct sources:

- the PSC secretariat would invite the INTOSAI community and stakeholders for inputs based on a consultation paper to be prepared by the goal chairs on the basis of FIPP inputs;
- PSC, CBC and KSC subcommittees and working groups would review needs within their areas of expertise and elaborate suggestions for the SDP; and
- FIPP would carry out a cross-cutting review of the consistency, clarity and adequacy of the IFPP.

Lessons have been learned from the experience of the implementation of the first SDP. For example, at its meeting on 8-9 June 2017, the PSC-SC requested that FIPP ensures that sufficient information on projects is provided in the SDP to ensure that they can be fully understood. As a result, FIPP drew up a number of

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<sup>4</sup> In the paper on FIPP governance, the PSC-SC **approves** the strategic development plan at this stage

scoping papers for individual projects. FIPP now proposes that the “development” phase for the next SDP includes a step by which it carries out an initial scoping of potential projects, covering the project’s scope and resource requirements.

**Action 1 - FIPP invites the PSC-SC and the chairs of the CBC and KSC to endorse FIPP’s proposal for the steps and timetable for the proposed process for drawing up the next SDP as set out in annex 1.**

#### The technical organisation for the proposed process for drawing up the next SDP

As mentioned above, FIPP has already carried out a comprehensive scanning exercise to identify nine focus areas around which the public consultation for the next SDP can be organised. This scanning exercise covered the following sources:

- the INTOSAI strategic plan, 2017 – 2022;
- the INTOSAI regions;
- the Global SAI Stocktaking report;
- the Global Audit Leadership Forum (GALF);
- the 2014 PSC Evaluation Report;
- the work carried out to develop the 2017 – 2019 SDP;
- INTOSAI’s Supervisory Committee on Emerging Issues (SCEI); and
- current development activities of the International Federation of Accountants (IFAC) and of the Institute of Internal Auditors (IIA).

The focus areas are set out in annex 2, along with some examples of issues that might be considered and some questions that are designed to guide contributors’ reflections. We stress that the aim of the focus areas is to better structure the consultation process, not to restrict it: in the consultation paper, the goal chairs should encourage potential contributors to put forward any suggestions that they might have, regardless of whether they “fit” into these focus areas.

The inputs gathered through this broad and inclusive process in the INTOSAI community, and among external stakeholders, will serve to inform the judgements that FIPP and the PSC Steering Committee will need to make for priorities in the development and approval phase. We are therefore encouraging general inputs from INTOSAI’s membership and stakeholders on the current challenges and needs of SAIs as well as more specific suggestions on future pronouncements. We also suggest encouraging contributors to provide an indicative ranking of the areas identified them as focus areas either from annex 2 or otherwise, in order of priority of needs.

The process of gathering input will also serve an important opportunity to increase awareness of the IFPP among SAIs. It will therefore be beneficial to introduce the concept of INTOSAI Principles, ISSAIs, GUIDS and COMPs, as well as the non-IFPP documents in the invitation letter. It may also be relevant to make detailed information on pronouncements in the pipeline, and planned content of the IFPP by 2019, publicly available through issai.org or other means. This would aid contributors in assessing the needs for further development of the pronouncements through new projects launched in 2019-2022.

To facilitate the process of analysing and shortlisting, the PSC secretariat has agreed to draft a template that contributors could use when providing input; the goal chairs have also offered to screen and organise the inputs obtained.

A separate communication may be sent to the subcommittees and working groups, in order to obtain their suggestions within their respective areas of expertise, on future projects to revise existing or new INTOSAI Principles, ISSAIs, GUIDs and COMPs.

**Action 2 - FIPP invites the goal chairs to organise the public consultation for the next SDP around the focus areas identified by FIPP as set out in annex 2 and through a separate communication to subcommittees and working groups asking for their suggestions, within their area of expertise, for improvements in the IFPP.**

The shortlisting criteria that FIPP will use when examining suggestions

Due process sets as an objective for the SDP that it leads to a set of professional pronouncements that are clear, consistent and adequate. Thus clarity, consistency and adequacy will be the three over-arching criteria that FIPP will use to examine suggestions for projects to be included in the SDP.

FIPP will work to develop an objective assessment system that it will finalise at its next meeting in August 2018, based on these three due process requirements.

Each suggestion will need to pass a “gateway” test – that it is consistent with ISSAI 100 and with the overall conception of the IFPP - if it is to be considered further.

Furthermore, FIPP will also consider the capacity across the INTOSAI community to deliver the projects. There is a need to examine the impact upon all INTOSAI subcommittees and working groups. However, experience of implementing the first SDP suggests that attention must be given to the resource capacities of FAAS, PAS and CAS, as well as FIPP itself. For FIPP, this includes an urgent need to obtain technical support.

**Action 3 - FIPP invites the PSC-SC and the chairs of the CBC and KSC to take note of the orientations that FIPP is using to develop objective criteria for shortlisting potential projects for the next SDP.**

Whilst FIPP will develop these criteria under its own responsibility, we would welcome any guidance that the PSC-SC and the chairs of the CBC and KSC might wish to offer.

Summary

In close collaboration with the representative of the PSC secretariat who sits as an active observer at its meetings, FIPP has been working on preparing the next SDP since its fifth meeting in July 2017 in Ottawa. It now invites the key actors to take the three actions set out in the following table:

Action #	Action	Responsible		
		PSC Steering Cttee	CBC & KSC chairs	Goal chairs
1	To endorse FIPP’s proposal for the steps and timetable for the proposed process for drawing up the next SDP as set out in annex 1.	X	X	

2	To organise the public consultation for the next SDP around the focus areas identified by FIPP as set out in annex 2.			X
3	To take note of the orientations that FIPP is using to develop objective criteria for shortlisting potential projects for the next SDP.	X	X	

FIPP assures its support to the goal chairs for the successful culmination of the SDP planning process.

With high regards

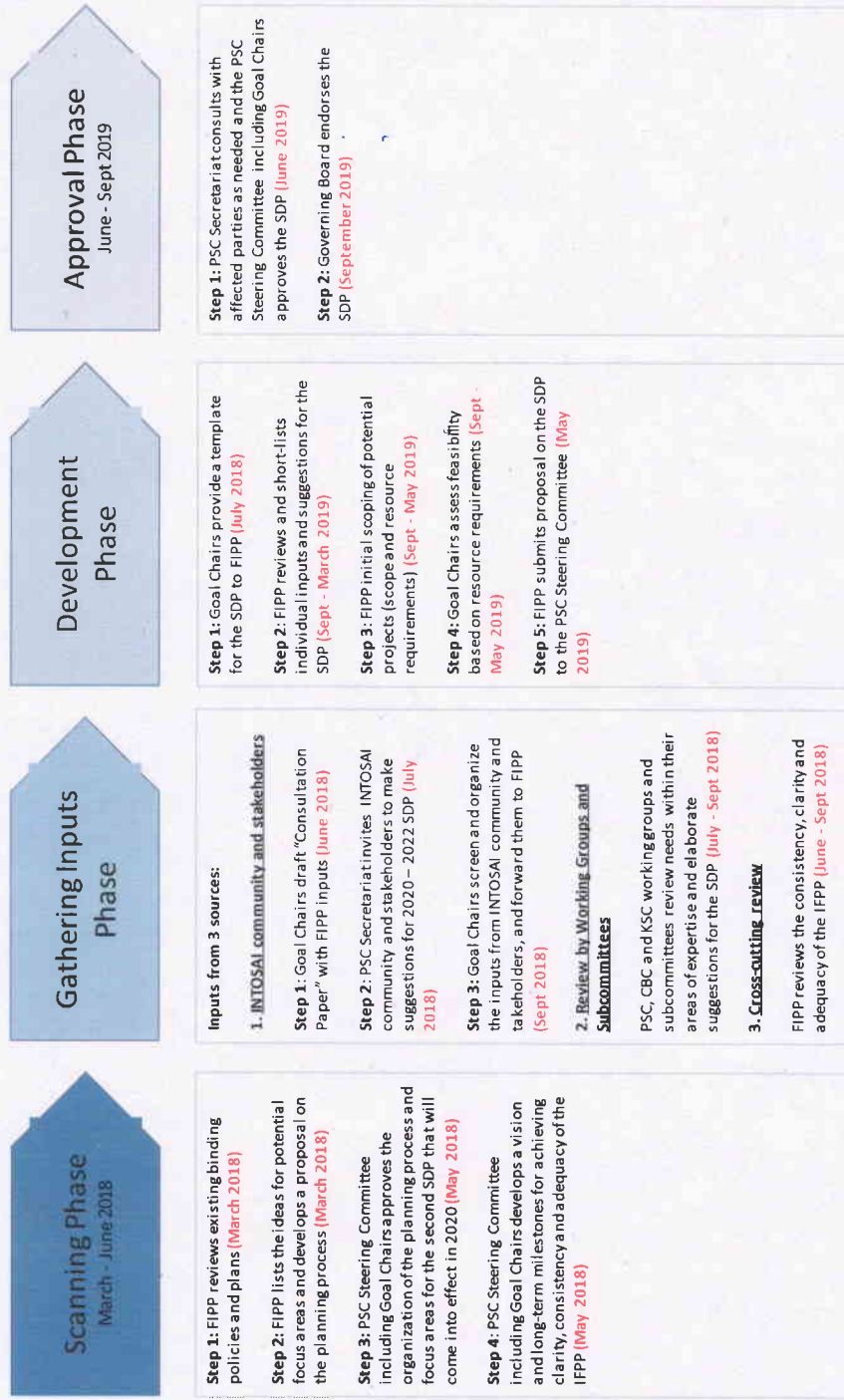


Ganga Kapavarapu

FIPP Chair

ANNEX 1

Process for developing the next Strategic Development Plan (SDP) for the INTOSAI Framework of Professional Pronouncements (IFPP)



## Annex 2 - Focus areas where input is invited from INTOSAI members and stakeholders

Headline	Observation	Examples	Questions
1) Enhancing ISSAIs implementation by SAI's	SAI's are facing challenges in the implementation and application of ISSAIs.  <i>There could be many different ways to enhance the implementation of the ISSAIs. For example:</i>	<ul style="list-style-type: none"> <li>➤ Encouraging SAIs to comply with, or use, standards consistent with the ISSAIs</li> <li>➤ Linking capacity development to implementation</li> <li>➤ Addressing resource issues, <i>i.e. affordable training</i></li> <li>➤ Considering how the pronouncements could be improved to better facilitate ISSAI implementation</li> </ul>	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> <li>➤ What is the definition of what constitutes "implementation" and "consistency" within the ISSAIs?</li> <li>➤ How do we achieve successful implementation of the ISSAIs in your SAI?</li> <li>➤ How can INTOSAI's guidance be further developed in order to better facilitate the implementation of the ISSAIs?</li> </ul>
2) Issues Specific to Public Sector Auditors/SAIs	INTOSAI pronouncements should address the specific efforts and issues of public sector auditors and SAIs.  <i>Some examples of these efforts and issues could be:</i>	<ul style="list-style-type: none"> <li>➤ Evaluation of fraud risk, investigation of irregular or improper payments in government</li> <li>➤ Performance audits – economics, efficiency, effectiveness in the government</li> <li>➤ Compliance auditing in the public sector</li> <li>➤ Contracting of public service audits</li> <li>➤ Audits for "whole of government" (financial, national level audits, SDGs, etc.)</li> <li>➤ Financial assurance and long term financial sustainability</li> <li>➤ Audit/evaluation of auditee's ethics program, culture, organizational behaviour</li> </ul>	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> <li>➤ Are there existing guidelines which can be revised or enhanced to better address these issues?</li> <li>➤ Is there a need to produce new guidelines to respond to these issues?</li> </ul>
3) General applicability of the IFPP for SAI's	Pronouncements should be generally applicable and sufficiently relevant across SAI models and regions.  <i>The IFPP therefore need to accommodate the greater diversity amongst SAIs. For example:</i>	<ul style="list-style-type: none"> <li>➤ Small SAIs and small countries</li> <li>➤ SAIs with, as well as without, jurisdictional functions</li> <li>➤ Different levels of capacity</li> <li>➤ Different mandates</li> </ul>	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> <li>➤ Is there a need for new principles, standards, or guidance to help SAIs address such issues? <ul style="list-style-type: none"> <li>▪ If so, in what areas?</li> </ul> </li> <li>➤ Does the IFPP accommodate all SAI's regions, models, and mandates for SAIs?</li> </ul>

## Annex 2 - Focus areas where input is invited from INTOSAI members and stakeholders

Headline	Observation	Examples	Questions
<p><b>4) Auditor Competency (COMP5)</b></p>	<p>A planned set of new pronouncements (known as COMP5) will include principles, standards and/or guidance on the competency requirements for auditors.</p> <p><i>The new COMP5 may serve SAIs in a range of different ways. For example:</i></p>	<ul style="list-style-type: none"> <li>➤ Assisting individual SAIs in their efforts to develop better education and auditor training programs</li> <li>➤ Assisting SAIs in strengthening stakeholder confidence in their professional competencies</li> <li>➤ Highlighting key requirements to public-sector auditors which differ from other requirements (<i>such as requirements for civilian/government administration or private sector auditors</i>)</li> <li>➤ Providing a basis for international collaboration on training and capacity building</li> <li>➤ Providing a basis for certifying auditors</li> </ul>	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> <li>➤ What would be the most important purpose(s) for developing INTOSAI principles, standards, or guidance on auditor competency requirements?</li> <li>➤ What would be the most important aspects to consider for interpreting the competency requirements as a set of principles, standards, or guidance?</li> </ul>
<p><b>5) Operationalizing SAI independence</b></p>	<p>SAI independence is an INTOSAI core principle, but many SAIs still lack financial and administrative independence.</p> <p><i>There may be different ways of operationalizing SAI independence. For example:</i></p>	<ul style="list-style-type: none"> <li>➤ Establishing relations/partnerships with stakeholders</li> <li>➤ Strengthening professional scepticism through auditor education and ethics</li> <li>➤ Protecting independence while demonstrating value and benefits</li> <li>➤ Ensuring the organization's code of ethics is implemented</li> </ul>	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> <li>➤ Is there a need for new principles, standards, or guidance to help SAIs address these issues?                             <ul style="list-style-type: none"> <li>▪ If so, in what areas?</li> </ul> </li> </ul>
<p><b>6) How to improve the Quality Control and Assurance in our SAIs</b></p>	<p>SAIs are facing challenges in the use of the existing ISSAIs in obtaining quality assurance in audits. The organizational requirements for an SAI's quality control system were defined in 2010 by ISSAI 40, and were included in the IFPP as ISSAI 140.</p> <p><i>There may be many aspects of improving quality control. For example:</i></p>	<ul style="list-style-type: none"> <li>➤ Developing robust QC systems and monitoring their effectiveness</li> <li>➤ QC at both the engagement and the organization levels</li> <li>➤ Internal and external QA assessments</li> <li>➤ developing efficient 'incentive policies' to recognize high quality work throughout the SAI</li> </ul>	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> <li>➤ Should ISSAI 40 be opened for revision or should we just have further guidance?</li> <li>➤ If opened for revision, what aspects of ISSAI 40 need revision to make a future version of ISSAI 140 more relevant and user-friendly?</li> <li>➤ Are there other important means to improve quality control and assurance?</li> </ul>

## Annex 2 - Focus areas where input is invited from INTOSAI members and stakeholders

Headline	Observation	Examples	Questions
7) Audit Communications and Reporting of Audit Results	<p>SAI communications should reflect the changing environment and audience. The SAI's conclusions should be communicated timely and in a manner that is easily read and used by the audience. This may call for new effective means to communicate and innovative approaches for achieving target audiences.</p> <p><i>There may be many ways to enhance the reporting by SAIs. For example:</i></p>	<ul style="list-style-type: none"> <li>➤ Monitoring audit findings/recommendations efficiently and innovatively</li> <li>➤ Tools for obtaining feedback from stakeholders</li> <li>➤ Communicating audit findings in a digital world</li> <li>➤ Publishing work on targeted platforms (social media, audio clips, videos, etc.)</li> <li>➤ Simplifying messages and adjusting messages to differing target audiences</li> </ul>	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> <li>➤ How can SAIs effectively communicate relevant information to targeted audiences in a technological environment?</li> <li>➤ What are some approaches to consider? <ul style="list-style-type: none"> <li>▪ What potential risks are there to certain approaches?</li> </ul> </li> <li>➤ How can audit communications and results maximize and demonstrate the values and benefits provided by SAIs to the public?</li> </ul>
8) Emerging Global Issues	<p>SAIs are continuously under pressure to respond to emerging global trends that seem to take immediate centre stage, thereby diverting the attention and resource allocation of governments.</p> <p><i>Some examples of global issues may be:</i></p>	<ul style="list-style-type: none"> <li>➤ Migration and Humanitarian problems</li> <li>➤ Climate and environment</li> <li>➤ International response to disasters</li> <li>➤ Sustainable Development Goals</li> </ul>	<p>We are therefore seeking input on the following question:</p> <ul style="list-style-type: none"> <li>➤ Do SAIs have a role in assessing and comparing how countries are performing in reference to global and national indicators?</li> <li>➤ What are the emerging global issues in which INTOSAI guidance, or developed/ revised pronouncements, may be necessary?</li> </ul>
9) New Technologies and innovative approaches	<p>Due to the constant changes within public management, SAIs face complex challenges which require a systematic, and participatory, innovation approach specified to their diverse needs; application of such approaches may call for new guidelines. A number of new technologies may also provide new challenges, as well as opportunities for SAIs; in some instances, this may call for new guidance for auditors. IAASB also has an on-going data analytics project.</p> <p><i>Some examples of new technologies and issues may be:</i></p>	<ul style="list-style-type: none"> <li>➤ Cyber security/data protection challenges</li> <li>➤ Block chain accounting</li> <li>➤ Big data – the digital revolution</li> <li>➤ Cloud based mobile applications</li> <li>➤ Strategies for data analytics programs</li> <li>➤ Geographic information systems</li> <li>➤ Innovation principles</li> <li>➤ Artificial intelligence</li> <li>➤ Use of data analytics in audits</li> </ul>	<p>We are therefore seeking input on the following question:</p> <ul style="list-style-type: none"> <li>➤ How do we audit around these technologies (<i>Identify, Protect, Detect, Respond and Recover and the core structure of audit around these systems</i>)? <ul style="list-style-type: none"> <li>▪ And who will audit around them?</li> </ul> </li> <li>➤ How do new technologies and innovations disrupt the current status quo in the world of audit?</li> <li>➤ Do we need to produce or revise existing guidelines or an ISSAI to respond to these issues?</li> </ul>



## **Process for developing the Strategic Development Plan for the INTOSAI Framework of Professional Pronouncements**

INCOSAI XXII in 2016 introduced a planning instrument in standard setting called Strategic Development Plan (SDP), which is a general strategy and a working plan for the development of the framework towards a clear, consistent and adequate set of professional pronouncements. The SDP assembles all initiatives to develop, revise or withdraw professional pronouncements, laying out a common path for all contributing working groups of INTOSAI towards a high quality set of standards for public sector auditing. It serves as a practical working tool to ensure continuous overall planning and coordination of any drafting work to be undertaken. The first SDP was approved at the same occasion and covers the period of 2017 to 2019.

In order to launch the next SDP during the 2019 INCOSAI, and to allow ample time for discussions, the preparation of the new document should begin soon.

The Due Process for INTOSAI's framework of professional pronouncements establishes that the decisions on the planning process and the content of the plan are taken by the PSC-SC, based on a proposal made by FIPP and that the planning process should involve public consultation, so any INTOSAI member or interested party can provide suggestions to the plan.

This proposal is presented by the PSC Chair, in consultation with the CBC and KSC Chairs, to the PSC Steering Committee for approval. It is based on the proposal forwarded to the PSC by FIPP, only a few adjustments were made in some of the steps and deadlines, mainly in order to clarify these steps and to ensure consistency with other documents being produced.

The approved process should result on a document that truly reflects the collective priorities and needs of INTOSAI members and of our stakeholders to effectively guide INTOSAI standard setting activities for the new few years.

### **Duration of the SDP**

An initial decision concerns the duration of the SDP, which is not established by the Due Process. The first document had a period of three years (2017-2019) even though it listed projects that were considered of lesser priority and could be undertaken after 2019. Considering the complexity of the process delineated below, its rather timely nature and the long period usually taken for the development of new pronouncements, we propose that the new SDP cover the period of six years, with a mandatory mid-term revision after three years. The revision would consist of a simpler process, but would allow us to confirm if conditions and priorities remain valid and make changes to respond to emerging issues or shifting concerns.

It is important to point out that the first SDP was intended to reflect INTOSAI's 'congress to congress' cycle, when new pronouncements have traditionally only entered into effect after being endorsed by INCOSAI. The Due Process approved in 2016, 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, ensured flexibility to have the IFPP updated according to a yearly cycle, rather than just every three years according to the Congress schedule, making this less of a constraint.

A carefully prepared plan, amply discussed with internal and external stakeholders, the way it is proposed for the next SDP, anchored on an overall strategy for INTOSAI standard setting, and with a mandatory a mid-term revision, can have a longer implementation period.

### **Proposed Process**

The diagram in annex contains the steps for the development of the next SDP. The PSC Chair, with the consent of the CBC and KSC Chairs, agrees with the structure of the planning process proposed by FIPP, but this proposal contains adjustments in some steps and deadlines.

The process will be divided in four phases:

- 1) Scanning ;
- 2) Gathering Inputs;
- 3) Development; and
- 4) Approval.

#### *1) Scanning Phase:*

In the scanning phase, steps 1 and 2 are related to a research exercise already finalised by FIPP. It involved the analysis of several INTOSAI documents and surveys but also external relevant documents, in order to identify possible topics currently being discussed within the INTOSAI community that could be potentially be covered in the next SDP.

Steps 3 and 4 involve decisions to be taken during this PSC-SC meeting: the approval of the planning process and the establishment of a vision for the next SDP and the criteria that will be the basis for the selection of the projects to be included at the next SDP.

The vision and criteria are going to be part of the discussions regarding a Standard Setting Strategy, which aims to establish a more comprehensive and articulated strategy or long-term vision of what INTOSAI wants to achieve with its standard setting activities, its level of ambition.

#### *2) Gathering inputs Phase*

The “gathering inputs phase” will ensure ample participation through a broad consultation, involving three different streams:

- the whole INTOSAI community and external stakeholders: this will help identify needs and priorities of SAIs and bring the perspective of other organisations outside INTOSAI;
- the PSC, CBC and KSC working groups, subcommittees and working streams: providing their views within their areas of expertise;
- FIPP: will carry out a cross-cutting review of the framework as a whole.

The results obtained by FIPP in the scanning in phase 1 could be used to inform and guide the consultations, but opportunity should be given for suggestions outside that scope.

The consultation period will last around 90 days, allowing enough time for the INTOSAI bodies and external parties to reflect and make their contributions to the development of the plan.

### *3) Development Phase*

This phase relates to the preparation of the actual plan, based on the inputs received. As stated by Due Process, it is the responsibility of the FIPP to review the inputs and prepare a proposal for the content of the plan. It is important to highlight that it was included a step of “scoping” the proposed projects. This should avoid the situation faced in the current SDP, in which in several projects there was insufficient description of their intended outcomes so this had to be done afterwards.

Although it is difficult in INTOSAI’s environment to have an accurate estimate of the resources available for the development of the projects, there is a concern of possibly approving an unrealistic plan regarding resources availability. That is the reason a step was included in which the Goal Chairs assess the resource requirements for the implementation of individual projects.

### *4) Approval Phase*

Finally, the last phase encompasses the approval by the PSC-SC and the consultation with affected parties (as stated in Due Process), until the final approval by INTOSAI Governing Board in the occasion of the XXIII INCOSAI in September 2019.

**We therefore ask PSC Steering Committee members to approve:**

**I - That the next SDP will last six years – from 2020-2025, with a revision after three years;**

**II – The proposed process for developing the Strategic Development Plan, including the phases and steps to be followed for the preparation of the plan, as well as the timeline, as described in this document and outlined in the diagram annexed.**

Annex:

Diagram - Process for Developing the next Strategic Development Plan for the IFPP

# Process for Developing the next Strategic Development Plan for the IFPP

## INTOSAI Framework of Professional Pronouncements

*(To take effect from INCOSAI 2019)*

