# Organisation of the PSC beyond 2010                                October 08

## 1.  Summary:

This paper presents a proposal on the PSC organisation after 2010, when the work related to the ISSAIs and INTOSAI GOVs enters into a maintenance phase. At an overall level, the nature of the tasks performed by the PSC will change as a result of this shift into a maintenance phase. After 2010 focus will be on monitoring, updating and harmonization the ISSAIs and INTOSAI GOVs. To carry out the work on ISSAIs and INTOSAI GOVs in the future, the PSC will accordingly require a different set-up than today in terms of roles and responsibilities.

According to the strategic plan of INTOSAI, the purpose of the PSC is to contribute to the development and adoption of appropriate and effective professional standards. This means that the PSC recognizes, utilizes and builds on standards issued by other standard setters to the maximum extent possible and appropriate.

It is essentially the responsibility of the PSC Chair to structure the work of the PSC in a manner which efficiently and future-oriented makes the updated, relevant and professional public sector auditing standards available to the INTOSAI family and other interested parties. In this paper, the PSC Chair therefore presents a proposal which maintains the current PSC structure but suggests that the PSC Steering Committee and Subcommittees act as "boards" based on a commonly agreed due process.

## 2.  Background

In 2010, the PSC will present to the INCOSAI a comprehensive set of ISSAIs and INTOSAI GOVs. In doing this, the PSC's work with ISSAIs and INTOSAI GOVs will leave the development phase and enter into a maintenance phase. This change from developing ISSAIs and INTOSAI GOVs to maintaining them changes also the nature of the tasks which the PSC is required to perform after 2010 and the way in which the PSC solves the tasks.

The purpose of this paper is therefore to present to the PSC Steering Committee a first draft proposal on the organisation of the PSC beyond 2010.

This draft proposal represents one of the tasks assigned to PSC by the INTOSAI Congress in 2007, when the PSC was mandated to:

*"Prepare a decision on permanent maintenance of the set of ISSAIs taking into account that the implementation of the ISSAIs is decided on by the individual SAIs while issues of communication are addressed in the INTOSAI Communication Policy and tasks of capacity building are addressed by the INTOSAI Capacity Building Committee".*

One of the strategic goals of the PSC 2007-2010, is therefore to:
*"Present a proposal for a permanent structure and mandate for the continuous updating and improvement of the ISSAIs that is to be effective from 2010 following the approval of the XX INCOSAI"*

The first section of this paper sets the stage in summarizing the preconditions that need to be taken into account when elaborating the proposal. It then moves on to a description of the PSC tasks beyond 2010 which will be defining for the way in which the PSC will solve its tasks in the future. The paper is concluded with a draft proposal for the organisation of the PSC beyond 2010. Before moving on to the proposal itself, it would, however, be relevant to look briefly at the preconditions that have guided the elaboration of the proposal.

In elaborating this draft proposal, the PSC Chair has carefully considered the future tasks of the PSC (see below). It is however important also to emphasize that the following tasks are not considered PSC tasks, neither at present nor after 2010, and these tasks are therefore not dealt with in the proposal.

**Translation of the ISSAIs and INTOSAI GOVs:** the question of translation in INTOSAI and the related costs is by the PSC considered an overall INTOSAI issue and therefore not a task which the PSC can solve on its own. The costs related to the translation of official INTOSAI documents into the 5 official INTOSAI languages are substantial for the PSC. The Chair will engage in a dialogue with the INTOSAI General Secretariat and the INTOSAI Strategic Director on the matter.

**Implementation of ISSAIs and INTOSAI GOVs:** the PSC is making the ISSAIs and INTOSAI GOVs accessible to the INTOSAI family and other interested parties via the ISSAI website. The PSC is of the opinion that the concrete implementation and use of standards is not a matter for PSC to handle. The PSC Chair is prepared to engage in a dialogue with the Chair of Goal 2 and other interested parties on the matter.

**Communication in relation to the ISSAIs and INTOSAI GOVs:** This is included in the guidance offered by the INTOSAI Communication Policy. In relation to the ISSAIs and INTOSAI GOVs, the PSC has issued guidelines for their publication on www.issai.org.

## 3.  Setting the stage - preconditions for the organisation of the PSC beyond 2010

In elaborating the proposal on the work on the ISSAIs and INTOSAI GOVs beyond 2010 which is presented below, the PSC Chair has taken into account a number of preconditions that influence the way in which the PSC will work on the ISSAIs and INTOSAI GOVs in the future. These preconditions are:

- The INTOSAI strategic plan
- The acknowledgement of INTOSAI as a competent and accountable partner towards IFAC and other standard-setting bodies.
- The success of the current set-up for the PSC
- The 2007 INCOSAI mandate regarding the establishment of a permanent maintenance set-up

The INTOSAI strategic plan has been one of the key elements guiding the elaboration of this proposal, not only because the strategic plan has very successfully aligned and focused the work of INTOSAI and the PSC, but because it encompasses what is widely known as "the spirit of INTOSAI". The spirit of INTOSAI is the fact that the work and success of INTOSAI is based on the voluntary contribution of each SAI – no matter its status and level of development - and that all SAIs that are willing to contribute to the work and development of INTOSAI are welcome to do so. In this sense the strength of INTOSAI lies in the cultural, linguistic and political diversity of its members and INTOSAI promotes active discussion and debate that can lead to broad-based agreements. This is expressed very clearly in the INTOSAI motto "Mutual Experience

Benefits All" and this spirit has to be taken into consideration when planning the work on the ISSAIs and INTOSAI GOVs beyond 2010. It means that the work on the ISSAIs beyond 2010 should be broadly supported by the INTOSAI family and that any SAI that is prepared to contribute to the work of the PSC and Subcommittees is most welcome.

INTOSAIs strategic plan clearly states that the Goal 1, Professional Standards Committee is responsible for contributing to the development and adoption of appropriate and effective professional standards. Based on the work performed by the subcommittees, INTOSAI is today, increasingly becoming <u>acknowledged as a partner in international public sector auditing standard-setting</u>. The work of FAS has facilitated this position. In order to keep and extend this position, the work on the ISSAIs and INTOSAI GOVs beyond 2010 should support this development of PSC keeping in mind that the use of standards and guidelines in INTOSAI will always be left to the discretion of each SAI and taking into account the "spirit of INTOSAI" as described above. At the PSC Steering Committee meeting in Beijing, a draft proposal on a PSC due process will be presented. This proposal is closely linked to the ambition of the PSC to keep and extend the position as an important partner in international public sector auditing standard-setting. This ambition is not only linked to the work on the financial audit guidelines but also to the cooperation with the Institute of Internal Auditors (IIA) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

INTOSAI and PSC have come a long way in streamlining the operations of the different committees and aligning the work on standards and guidelines for public sector auditing. T<u>he successful current PSC set-up</u> - with a Steering Committee and Subcommittees for each main ISSAI and INTOSAI GOV serial – has demonstrated its effectiveness up until now and provides both a reliable structure and the flexibility needed for the subcommittees to manage its tasks in the future. Therefore the current structure is also the basis of the set-up after 2010.

As described above, the INCOSAI has mandated the PSC to prepare a decision on <u>permanent maintenance</u> of the set of ISSAIs and INTOSAI GOVs up to the Congress in 2010. In light of the INTOSAI spirit described above, the work on the ISSAIs and INTOSAI GOVs beyond 2010 will still be based on the voluntary contribution of each SAI and as stated above, the structure of the PSC will essentially remain the same after 2010. This means that the work on the ISSAIs and INTOSAI GOVs beyond 2010 will be based on a number of Subcommittees and Projects chaired by voluntary SAIs. The permanent aspect of the future organization will be the PSC set-up which has successfully served its purpose in the past and will continue to do so, irrespective of the chairmanship of the Steering Committee and Subcommittees.

The main changes resulting from the organisation of the PSC beyond 2010 are related to the nature of the tasks - it is therefore relevant at this stage to take a closer look at the tasks beyond 2010.

## 4. The PSC tasks beyond 2010

The PSC Chair foresees the following tasks related to the work on the ISSAIs and INTOSAI GOVs beyond 2010. As already mentioned, these tasks reflect the fact that the work on the ISSAIs will no longer be focused on development but on maintenance. This does not mean that the PSC will stop elaborating new ISSAIs or INTOSAI GOVs when relevant, but the tasks listed below are tightly connected with the maintenance phase which the PSC is entering into after 2010:

A. Monitor existing ISSAIs and INTOSAI GOVs
B. Update existing ISSAIs and INTOSAI GOVs

C. Harmonize the ISSAIs and INTOSAI GOVs
D. Develop new ISSAIs and INTOSAI GOVs
E. Cooperate with IFAC, IIA and other standard-setters
F. Keeping all ISSAIs and INTOSAIs GOVs updated and accessible on www.issai.org.

**Ad A. Monitor existing ISSAIs and INTOSAI GOVs**
The existing ISSAIs and INTOSAI GOVs should be monitored to ensure that they are updated and relevant for the INTOSAI community.

**Ad B. Update existing ISSAIs and INTOSAI GOVs**
Based on the above-mentioned monitoring activities, the PSC could consider to up-date existing ISSAIs like for instance the Fundamental Auditing Principles on level 3 and the ISSAI 30 Code of Ethics. This task could also include small-scale up-dates of existing ISSAIs resulting from changes occurring in the external environment or related standards and guidelines.

**Ad C. Harmonize the ISSAIs and INTOSAI GOVs**
One of the purposes of the ISSAIs and INTOSAI GOVs is to have a common framework for International standards and guidelines for public sector auditing, internal control and accounting. In order to secure a coherent and harmonized framework, one of the tasks beyond 2010 is to edit and make a thorough revision of the existing ISSAIs and INTOSAI GOVs and maybe move some ISSAIs from level 3 to level 2.

**Ad D. Develop new ISSAIs and INTOSAI GOVs**
Although the PSC will leave the development phase and enter into a maintenance phase in 2010, there will still be a need for the development of new ISSAIs and possibly also new INTOSAI GOVs and participation in the IAASB task-forces as described in the attached annex. In particular the FAS will develop practice notes to new ISAs – the number of new ISAs is however expected to be limited following the conclusion of the IFAC Clarity Project. Moreover it is expected that the PAS work on the auditing standards for performance audit may expand beyond 2010 and that the cooperation with IIA will lead to the development of new INTOSAI GOVs.

**Ad E. Cooperate with IFAC, IIA and other standard-setters**
- Continued co-operation with the IAASB to participate in the development of new or revised ISAs, with a focus on making the ISAs sector neutral and/or on the inclusion of public sector considerations in the body of the ISA
- Contribution to other IAASB work with developing standards in areas such as ethics and related services
- Continued co-operation with the IPSASB to facilitate information exchange and knowledge sharing among SAIs
- Continued co-operation with the IIA to facilitate information exchange and knowledge sharing among SAIs.

**Ad F. Keeping all ISSAIs and INTOSAIs GOVs updated and accessible on www.issai.org.**

Publicizing all standards and guidelines and related documents on the ISSAI website, immediately following any changes or approval.

It is important to emphasize that the due process which is currently being elaborated by the PSC, will include thorough descriptions of the way these tasks will be solved. The due process will be discussed at the PSC Steering Committee meeting in Beijing, October 2008. Especially the tasks on monitoring, updating and harmonizing ISSAIs and INTOSAI GOVs, are new and related to the maintenance phase. These new tasks combined with the efforts to keep and extend INTOSAIs position as an important partner in standard-settingfor public sector auditing means that although the structure remains the same, the roles of the different players in the PSC may change with the tasks. This consideration is included in the proposal presented below.

## 5. The proposal – the organisation of the PSC beyond 2010

Based on the preconditions and tasks described above, the PSC Chair proposes that:

- The work on ISSAIs and INTOSAI GOVs beyond 2010 is kept within the present frame of the INTOSAI strategic plan, acknowledging the experience and expertise gained. It is the responsibility of the PSC to handle the maintenance of ISSAIs and INTOSAI GOVs after 2010. PSC is accountable to INTOSAIs Governing Board and INCOSAI.
- The PSC structure with a Steering Committee, Subcommittees, Projects, Chair and a Secretariat constitutes the foundation of the work of PSC in that:
  - The PSC Steering Committee and Subcommittees will be acting as INTOSAI's "boards" and approve any changes made to the ISSAIs and INTOSAI GOVs, taking into account the procedure foreseen in the 4th bullet
  - The PSC Subcommittees are responsible for monitoring developments and initiate any updating of the ISSAIs required.
  - The PSC Chair is responsible for the harmonization of the ISSAIs and INTOSAI GOVs
  - Changes in ISSAIs are exposed for comments on www.issai.org and endorsed by INCOSAI. However the PSC Steering Committee and Subcommittees (for ISSAI 1000-3999) is mandated to approve any conforming changes in existing ISSAIs resulting from changes in the underlying ISA or in other ISSAIs. INCOSAI is informed of any such conforming changes.
  - When the PSC Steering Committee or Subcommittees identify a need to develop a new ISSAI or INTOSAI GOV or undertake comprehensive editing of a number of ISSAIs not linked to a Subcommittee, a project may be established.
  - The monitoring, developing, harmonising and developing of ISSAIs will follow a commonly agreed due process. When presenting new or substantially changed ISSAIs to the Governing Board, the PSC will primarily confirm to the Governing Board that the due process has been followed.
  - The representative of INTOSAI on IAASB, IPSASB and IIAs Board and any other external standard-setting boards reports to the PSC Steering Committee and consults the Steering Committee on any matter of general importance to the INTOSAI community. This may be done through a written procedure.
    - The PSC Chair is responsible for maintaining the ISSAI website.

The proposal is illustrated in this table:

**Table 1: PSC organization beyond 2010 – tasks and roles related to the ISSAIs and INTOSAI GOVs**

| Task/role | Governing Board | Steering Committee | Subcommittees | Projects | PSC Chair |
|---|---|---|---|---|---|
| **Monitor existing ISSAIs and INTOSAI GOVs** | - | - | The Subcommittees will monitor the ISSAIs and INTOSAI GOVs that the Subcommittee is responsible for. | The Project will monitor the ISSAIs and INTOSAI GOVs that the Project is responsible for. | The PSC Chair is responsible for monitoring the ISSAIs and INTOSAI GOVs that are not linked to a specific subcommittee or project. |
| **Update existing ISSAIs and INTOSAI GOVs** | The PSC Steering Committee will confirm to the Governing Board that the due process has been followed when updating the ISSAIs and INTOSAI GOVs | The Steering Committee should be informed of any changes to the ISSAIs and INTOSAIs GOVs. In connection with the reporting to the Steering Committee on these matters the responsible Subcommittee or Project should demonstrate that the due process has been followed. | The Subcommittee approves any changes to the ISSAIs and INTOSAI GOVs that the Subcommittee is responsible for based on the due process, before displayed on the ISSAI website and presented to the Steering Committee. | Any changes to the ISSAIs and INTOSAI GOVs that the Project is responsible for must be approved by the Project before displayed on the ISSAI website and presented to the Steering Committee. | The PSC Chair initiates in agreement with the relevant Subcommittee or Project any updating of the ISSAIs and INTOSAI GOVs required. If the ISSAI or INTOSAI GOV in question is linked to a Project or Subcommittee, the update should be based on a dialogue with the relevant subcommittee or project. |
| **Harmonize the ISSAIs and INTOSAI GOVs** | The PSC Steering Committee will confirm to the Governing Board that the due process has been followed when updating the ISSAIs and INTOSAI GOVs | The Steering Committee should be informed of any changes to the ISSAIs and INTOSAIs GOVs. In connection with the reporting to the Steering Committee on these matters the responsible Subcommittee or Project should demonstrate that the due process has been followed.<br><br>If the editing of an ISSAI or INTOSAI GOV is comprehensive and not linked to a specific project or Subcommittee, the PSC Steering Committee can decide to establish a project | The Subcommittee approves any changes to the ISSAIs and INTOSAI GOVs that the Subcommittee is responsible for based on the due process, before displayed on the ISSAI website and presented to the Steering Committee. | | The PSC Chair is responsible for the harmonization of the ISSAIs and INTOSAI GOVs based on an agreed workplan with the relevant Subcommittees and Projects. Any changes to the ISSAIs and INTOSAI GOVs should be presented to the relevant Subcommittee or project for approval. |
| **Develop new ISSAIs and INTOSAI GOVs** | The PSC Steering Committee will confirm to the Governing Board that the due process has been followed when updating the ISSAIs and INTOSAI GOVs | The Steering Committee approves and initiates the development of new ISSAIs and INTOSAI GOVs. If the development of a new ISSAI and INTOSAI GOV cannot be included in the work of a relevant Subcommittee, the PSC Steering Committee can decide to establish a project. | The Subcommittee is responsible for the development of new ISSAIs and INTOSAI GOVs if these can be included in the serial that the Subcommittee is responsible for. | The Project is responsible for the development of new ISSAIs and INTOSAI GOVs if these can be included in the serial that the Project is responsible for. | The PSC Chair supports the elaboration of ISSAIs and INTOSAI GOVs. |
| **Cooperate with other standard-setters** | The Governing Board is informed about the cooperation at their meetings | The Steering Committee is informed about the cooperation at their meetings. | The Subcommittees are responsible for the cooperation with other standard-setters. | | The PSC Chair supports the cooperation with other standard-setters. |
| **Maintain ISSAI site** | | | | | The PSC Chair is responsible for maintaining the ISSAI site |

To sum up, the structure of the PSC will remain the same before and after 2010. The Steering Committee and Subcommittees will approve changes made to the ISSAIs and INTOSAI GOVs. The cooperation between the Subcommittees and the PSC Chair will be intensified as the Chair - based on a jointly agreed workplan – intends to work very closely with the Subcommittees on the updating and harmonizing of  the ISSAIs and INTOSAI GOVs. Finally, the number of projects may increase as the proposal calls for the

establishment of new projects to deal with new or existing ISSAIs or INTOSAI GOVs that are not linked to an existing Subcommittee. New projects may also be established for the comprehensive editing of existing standards and guidelines.

It is important to emphasize that the proposal deals with the PSC tasks at an overall level. It is up to the individual Subcommittee and Project to organize the work under the conditions set by this paper, the PSC due process and the PSC Terms of Reference. If for instance a Subcommittee wishes to apply for external funding or establish a secretariat, it is up to the Subcommittee or Project members to make that decision. In line with the INTOSAI policy, the General Secretariat should be informed about global funding applications.

Similarly, the draft proposal deals only with tasks that are directly linked to the work on the ISSAIs and INTOSAI GOVs. The individual Subcommittee may need to deal with specific tasks in order to fulfill their mandate but if these tasks are not directly linked to the development of ISSAIs or INTOSAI GOVs they are not included in the draft proposal for instance tasks related to conducting a survey are not included.

Following the approval of the Steering Committee and the INTOSAI Governing Board of the draft proposal, the PSC Chair suggests that the Terms of Reference for the PSC are changed in accordance with the proposal.

Based on the draft proposal on the organisation of the PSC beyond 2010 and dependent on the approval of the PSC Steering Committee, the INTOSAI Governing Board and the INCOSAI 2010, the SAI of Denmark is prepared to continue as chair for the PSC in the next Congress period 2010-2013. Since the chair and secretariat are closely linked, the SAI of Denmark would also be prepared to retain the PSC secretariat and expand it according to the tasks described above.