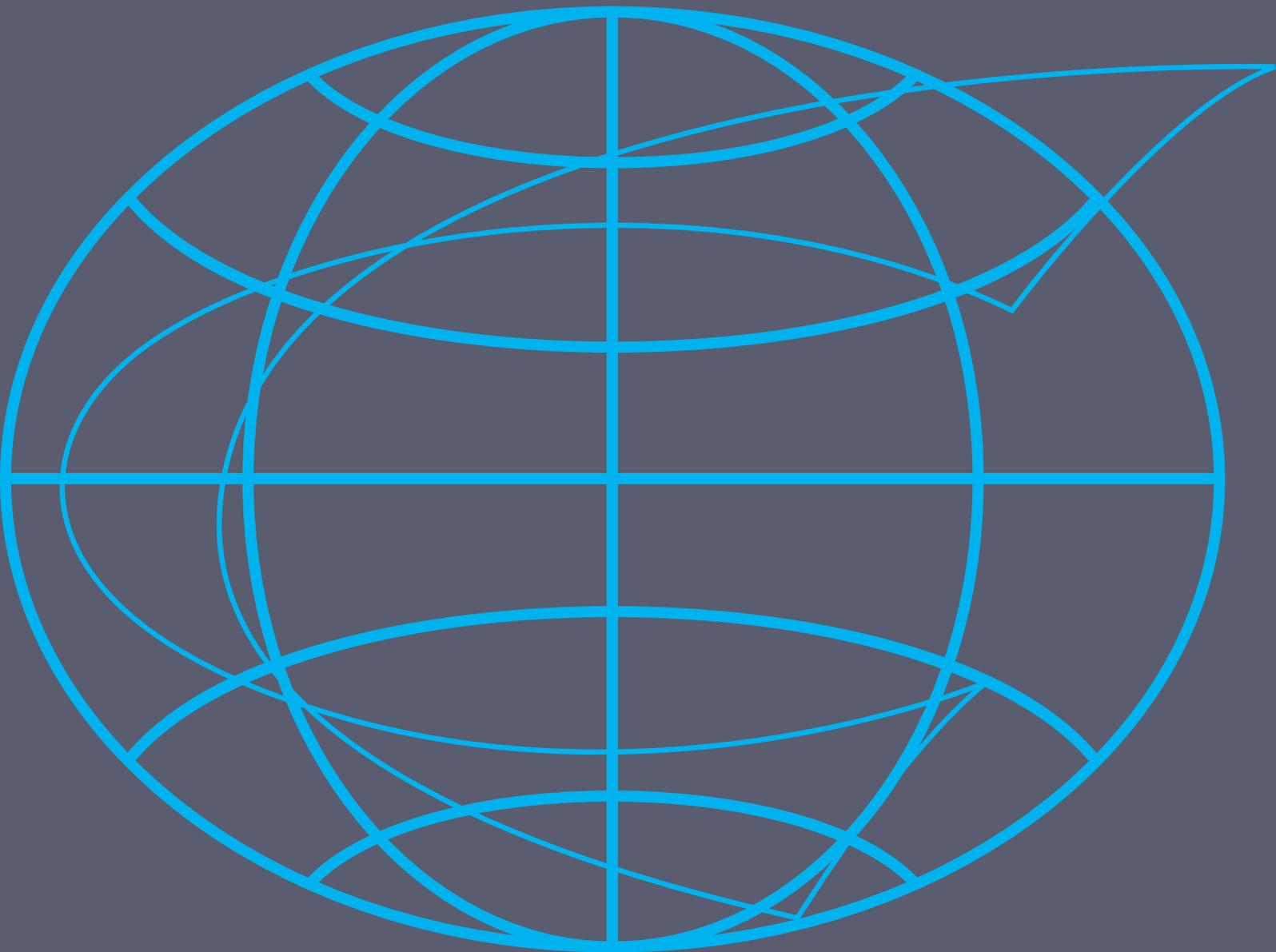


PROGRESS REPORT

Achievements 2004-2007
and mandate for 2007-2010



International Standards of Supreme Audit Institutions (ISSAI)
and INTOSAI Guidance for Good Governance (INTOSAI GOV)
– find them on www.issai.org.

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I. Introduction

1. This is the progress report of the INTOSAI Professional Standards Committee (PSC). The report will be presented to the PSC Main Committee on November 4, 2007, the INTOSAI Governing Board on November 5, 2007 and the INCOSAI on November 6, 2007, during the first general plenary session.
2. According to the strategic plan of INTOSAI, the purpose of the PSC is to promote strong, independent and multidisciplinary SAIs by encouraging SAIs to lead by example and contributing to the development and adoption of appropriate and effective professional standards.
3. 67 SAIs are members of the PSC. PSC consists of 6 Subcommittees: The Subcommittee on SAI Independence, the Financial Audit Guidelines Subcommittee (FAS), the Performance Audit Subcommittee (PAS), the Compliance Audit Subcommittee (CAS), the Internal Control Standards Subcommittee and the Accounting and Reporting Subcommittee. In addition PSC has established a project on transparency and accountability. All members of PSC meet every third year in connection with the INCOSAI. An overview of the PSC structure is attached to this report as annex 1.
4. The Steering Committee of the PSC has 16 member SAIs and consists of Subcommittee Chairs, Goal Liaison, Chair of Goal 2 and representatives of INTOSAI regional working groups. The member SAIs are: Bahrain, Belgium, Brazil, Cameroon, Canada, China, Denmark, France, Italy, Morocco, New Zealand, Norway, Portugal, Sweden, USA and Zimbabwe. The PSC Steering Committee prepares and coordinates how the PSC best supports the objectives and goals of INTOSAI, specific issues within relevant areas of concern, expected products and outcomes etc. Since the inaugural meeting 7-8 August 2005 in Oslo, Norway, the Steering Committee has met 4-5 May 2006, in Washington, USA, 5-6 September 2006, in Yaounde, Cameroon, and 23-24 April 2007, in Manama, Bahrain.
5. This report is the result of a joint effort of all PSC Subcommittees and projects. As it shows, the PSC has come a long way since it was formerly established at the inaugural meeting. Several factors have contributed to the progressing work of the Committee. First and foremost, the fact that a number of the Subcommittees were already created and working very efficiently when PSC was established in 2004. Secondly the dedicated work of the PSC Steering Committee which was set up at the inaugural meeting and very quickly launched new initiatives and formulated a set of strategic goals to safely guide the work of the PSC.
6. The strategic goals of PSC and their fulfilment are summarized in the table below. The goals were formulated at the inaugural meeting of the PSC Steering Committee and as illustrated in table 1, the goals have all been met.

Table 1: Goal fulfilment of the PSC in relation to the strategic goals 2004-2007

| Strategic Goal | Progress |
|---|--|
| Develop a common framework for all INTOSAI professional standards to be presented at INCOSAI 2007 – the Framework of International Standards of Supreme Audit Institutions (ISSAI) on www.issai.org | The framework has been developed and is presented in this report – see pages 9-10. |
| Conduct a survey on the present status of the INTOSAI professional standards and guidelines among SAIs and on the need for new standards. | The survey has been conducted. The main results of the survey are described at page 9 of this report. Furthermore the results of the survey are available in a separate report. |
| Establish a Performance Audit Subcommittee and present the draft TOR to the Governing Board meeting 2006. | The Performance Audit Subcommittee has been established. The work of the Subcommittee is presented at pages 22-24. |
| Develop partnerships with other external standard setters in order to facilitate knowledge sharing and cooperation. | The Memorandum of Understanding (MoU) between IFAC and PSC initiated by the PSC Financial Audit Subcommittee has been updated and a new MoU between IIA and INTOSAI has been elaborated by the PSC Subcommittee on Internal Control Standards. |
| Elaborate on an implementation and communication plan for the professional standards and guidelines in cooperation with IDI and in accordance with the Global Communication Policy of INTOSAI. | The PSC Steering Committee has decided not to pursue a communication plan any further, since this issue is covered in the Global Communication Policy of INTOSAI. |
| Elaborate on a set of transparency and accountability principles. | A draft version of the principles is presented at pages 13-15. |

7. The report presents the work of all projects and Subcommittees in 2004–2010 as well the planned work for 2007-2010.

8. Chapter II and III concern work which is finalized with this report. The INTOSAI framework of professional standards proposed in chapter II will provide a common frame of reference for all INTOSAI’s professional standards and guidelines. The order of presentation in this report therefore follows the numbering of the International Standards of Supreme Audit Institutions (ISSAI) and INTOSAI Guidance for Good Governance (INTOSAI GOV) introduced by the proposed framework.

An important milestone is “ISSAI 10 Mexico Declaration of Independence” presented in chapter III by the PSC Subcommittee on SAI Independence. By this report the Subcommittee has completed it’s work.

9. Chapter IV-IX concern work that will be continued in 2007–2010. These chapters contain the reports of the PSC project and Subcommittees for 2004-2007 as well as the planned work for 2007-2010. The projects and Subcommittees will continue to fill in the framework and provide a comprehensive set of guidelines by 2010.

The strategic plan of INTOSAI emphasizes the development of transparency and accountability principles and the PSC Steering Committee has therefore established a transparency and accountability project, chaired by the SAI of France.

The PSC Financial Audit Guidelines Subcommittee has elaborated 9 ISSAIs which will be presented to the INCOSAI for approval and the document "INTOSAI GOV 9130 Guidelines for Internal Control Standards for the Public Sector - Further Information on Entity Risk Management" will be presented to the INCOSAI by the Subcommittee on Internal Control Standards.

10. Chapter X describes the overall planning for PSC. The chapter includes a proposal on a renewed mandate for PSC for 2007-2010. The new mandate was agreed by the PSC Steering Committee at the meeting in Bahrain, spring 2007, and contains the strategic goals of the PSC 2007-2010.

11. Of particular importance to the future work of the PSC is to ensure the continuous maintenance of the standards and guidelines developed.

By the Strategic Plan for 2004-2010 INTOSAI decided to take a great leap forward in its efforts to provide operational auditing guidance for Supreme Audit Institutions. Since then, many SAI's have invested a substantial amount of work in the effort.

By 2010 INTOSAI's new framework and the names International Standards of Supreme Audit Institutions (ISSAI) and INTOSAI Guidance on Good Governance (INTOSAI GOV) will be well established.

The ISSAI 10 Mexico declaration on Independence and the new principles of transparency and accountability and audit quality control will supplement the ISSAI 1 Lima declaration and a first comprehensive set of guidelines on financial auditing, compliance auditing and performance auditing will have been provided.

12. To ensure the lasting value of these important achievements a creditable process of periodic reviewing and updating will have to be established. During 2008-2009 PSC will need to find a practical organizational solution that can be decided upon by INCOSAI in 2010. One of the strategic goals of PSC is therefore to present a proposal for a permanent structure and mandate for the continuous updating and improvement of the ISSAIs.

To complement level 2 in the framework, the PSC has also decided to develop a new ISSAI 40 concerning audit quality control. The ISSAI 40 will be developed in a new project, chaired by the SAI of New Zealand.

13. On the basis of the report, the PSC presents the documents listed in table 2 to the INCOSAI.

Table 2: List of documents to be presented at the INCOSAI

| List of documents to be presented at INCOSAI 2007 as official INTOSAI documents for endorsement by the Congress | |
|--|---|
| International Standards of Supreme Audit Institutions – INTOSAI’s Framework of Professional Standards | |
| PSC Subcommittee on SAI Independence: | |
| ISSAI 10 | The Mexico Declaration on SAI Independence |
| ISSAI 11 | Guidelines and Good Practices Related to SAI Independence |
| ISSAI 11A | Appendix - Results of Case Studies |
| PSC Subcommittee on Financial Audit Guidelines | |
| ISSAI 1220 | Quality Control for Audits of Historical Financial Information |
| ISSAI 1230 | Audit Documentation |
| ISSAI 1260 | Communication of Audit Matters with those Charged with Governance |
| ISSAI 1300 | Planning an Audit of Financial Statements |
| ISSAI 1315 | Identifying and Assessing the Risks of Material Misstatements [...] |
| ISSAI 1330 | The Auditor’s Response to Assessed Risks |
| ISSAI 1450 | Evaluation of Misstatements Identified during the Audit |
| ISSAI 1800 | Special Considerations – Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement |
| ISSAI 1805 | Special Considerations When Reporting on Summary Financial Statements |
| PSC Subcommittee on Internal Control Standards | |
| INTOSAI GOV 9130 | Further Information on Entity Risk Management |
| List of documents to be presented to the INCOSAI as drafts for information: | |
| ISSAI 20 | Draft principles for Transparency and Accountability |
| ISSAI 1320 | Materiality in Planning and Performing an Audit |
| ISSAI 1000 | Implementation Guidelines on Financial Audit – introduction |
| ISSAI 4100 | Compliance Audit Guidelines related to audit of financial statements |

II. The INTOSAI Framework of Professional Standards

14. With the Strategic Plan 2005-2010, INTOSAI made it an ambition under Goal 1 to provide an up-to-date framework for professional standards that are relevant for its members. The PSC Steering Committee therefore presents the proposal "International Standards of Supreme Audit Institutions – INTOSAI's Framework of Professional Standards" for endorsement at the INCOSAI. PSC proposes to merge all existing and new INTOSAI standards and guidelines into one common framework under the name **International Standards of Supreme Auditing Institutions (ISSAI)**. Documents issued by INTOSAI concerning guidance to the administrative authorities, e.g. on internal controls and accounting are called **INTOSAI Guidance on Good Governance (INTOSAI GOV)**.

All standards and guidelines will be available on www.issai.org and will be numbered in accordance with a set of classification principles.

15. The systematic classification of the document and the new name will help improve the general knowledge of standards and guidelines and facilitate their practical use in the INTOSAI community and in the public administration in general. The framework provides a unique overview of INTOSAI standards and guidelines and does not affect the content of the already existing documents.

16. The framework has been elaborated with the help of many INTOSAI members and in cooperation with the Chair of Goal 3 of the INTOSAI strategic plan. Following the approval of the PSC Steering Committee and the INTOSAI Governing Board at their meeting in 2006, the framework was distributed to all SAIs for comments in December 2006.

17. Simultaneously, in December 2006, the PSC conducted a survey among all SAIs on the needs and priorities in developing professional auditing standards and guidelines. The purpose of the survey was to get input to the present structure of the framework and the future development of ISSAIs and INTOSAI GOVs.

18. The survey shows that:

- 3/4 of all SAIs use INTOSAI auditing standards, often in combination with standards from other sources.
- Almost all SAIs expressed the view that INTOSAI guidelines are needed and should be further developed.
- There is widespread consensus that there are some differences between public and private sector auditing and that there is therefore a need for special guidance for public sector auditing in some areas.

The results of the survey are available in a separate report which will be distributed during the INCOSAI.

19. The ISSAI framework will facilitate the use of the INTOSAI standards and guidelines. As SAIs are national authorities it is the responsibility of each SAI to decide on the implementation of the ISSAIs on basis of the individual SAI's legal mandate.

Motion:

20. The Chair of the INTOSAI Professional Standards Committee moves that the Congress endorse the document "International Standards of Supreme Audit Institutions – INTOSAI's Framework of Professional Standards".

III. The Mexico Declaration on Independence (ISSAI 10)

21. Prepared by the Chair of the Subcommittee on SAI Independence and presented to the Chair of the Professional Standards Committee of INTOSAI, November 2007.

22. The Independence Sub-Committee has developed four outputs for consideration by the Professional Standards Committee (PSC) and for submission to INCOSAI XIX in Mexico City in November 2007. These four outputs are:

1. Charter on SAI independence (The Mexico Declaration on Independence)
2. Charter guidelines
3. Report on case studies
4. Report on a new awareness and communications program.

23. Input received from the 2004 UN/INTOSAI symposium on SAI independence was used to prepare an initial working draft of the charter, to be tested through case studies of selected SAIs and a related survey questionnaire.

24. A number of SAIs were invited to provide case studies and a survey questionnaire with related methodology was developed. This material was reviewed by the Independence sub-committee and finalized shortly thereafter in the fall of 2005. A copy of this material was presented to the PSC in November 2005. Work commenced thereafter on the case studies and a survey questionnaire was sent out. Input received through the case studies and replies to the survey questionnaire was used to prepare a more formal exposure draft of the charter in the spring of 2006.

25. In order to test the draft Charter on SAI Independence, a number of interviews were undertaken in December 2005 and January 2006 by the SAI of Canada. The interviews were conducted with one SAI in ARABOSAI representing the Court of Accounts model and a number of SAIs in the ASOSAI and SPASAI regions representing other types of SAIs.

26. In February 2006, a working group of the Sub committee on SAI Independence met in Uruguay to work on all four products in their draft form with a view to having the full sub-committee finalize these documents in Lisbon in March 2006. The sub-committee met in Lisbon and approved the documents.

27. After consideration by the PSC at its May 2006 meeting in Washington, the draft guidelines were distributed to all SAIs to obtain more cases to illustrate how SAIs can achieve independence through different means. Also, the draft Charter was translated into five languages and distributed to all SAIs so that they would understand the context in which the guidelines were being developed. Input received was analysed and used to prepare a final draft of the guidelines that was presented to the PSC for consideration at its September 2006 meeting in Cameroon and to the Governing Board meeting in November 2006. The draft report on case studies and the draft report on a new awareness and communications program were approved in Washington.

28. The sub-committee presented the draft charter, draft case studies report and the draft awareness and communication plan to the PSC at its September meeting in Cameroon and at

the Governing Board meeting in November 2006. The Governing Board approved the circulation of the draft Charter to members and also approved all of the other documents at that meeting.

29. The draft Charter was distributed to all SAIs that had not yet commented, for review and comment in November 2006. Approximately fifty countries gave us comments on the draft Charter. Many of the comments were similar and resulted in few changes made to the draft charter. The draft Mexico Declaration on Independence was presented to the PSC for consideration at its April 2007 meeting in Bahrain and subsequent presentation to the Governing Board and INCOSAI XIX.

30. The sub-committee has finalized the translation in the INTOSAI languages of the Mexico Declaration on Independence (ISSAI 10), the INTOSAI Guidelines and Good Practices Related to SAI Independence (ISSAI 11) and the Results of Case Studies (Appendix to ISSAI 11A).

31. The Communication Plan for Promoting Supreme Audit Institution Independence is only intended to assist the SAI of India in its INTOSAI responsibilities for communication.

32. This concludes the work of the Sub-committee on SAI Independence.

Motion:

33. Be it moved that the Congress approve the:

- Mexico Declaration on Independence (ISSAI 10),
- INTOSAI Guidelines and Good Practices Related to SAI Independence (ISSAI 11),
- Results of Case Studies (Appendix to ISSAI 11A).

Be it further moved, in light of the results obtained, that the Congress approve the

- Dissolving of the PSC Subcommittee on SAI Independence.

IV. Project on Transparency and Accountability (ISSAI 20)

34. According to the INTOSAI Strategic Plan 2005-2010 one of the strategies pursued under Goal 1 is to develop accountability and transparency principles. Promoting basic principles of accountability and transparency of SAIs are central to the goal of encouraging SAIs to lead by example.

35. The INTOSAI principles of SAI accountability and transparency should express a common understanding within the INTOSAI community while taking account of the differences between the various national systems.

36. The principles should complement the achievements already made in the field of independence, ethics and standards and guidelines on auditing, accounting and reporting and should support the SAIs in their efforts to promote a better understanding of their roles and tasks among the public and the administration.

37. It was agreed during the first meeting of the steering committee of the Professional Standards Committee (Oslo 2005), a paper on SAI transparency and accountability was initiated by the SAI of Belgium, chair of the project group. The first draft was submitted for comments to the SAIs of Denmark, Norway, Canada, France and Belgium. The new draft was submitted to the PSC Steering Committee in Washington (2006). Then the chair of the group was handed over to the SAI of France.

38. The INTOSAI governing board (Mexico, 2006) decided that the project group should:

- define common principles of accountability and transparency, instead of striving to define good governance in general
- develop a generic code for SAIs which could be adapted and applied as appropriate by the individual SAIs
- identify and publicize best practice.

39. The PSC meeting in Bahrein (April 2007), according to its strategic goals 2007-2010, assigned to the group the mission to "present a set of principles of transparency and accountability for approval (ISSAI 20)"; the draft is to be presented at INCOSAI 2007.

40. Following the presentation of the project by Ignace Desomer (representative of the SAI of Belgium, speaking in the name of Danièle Lamarque, representative of the SAI of France), the GAO expressed its wish to join the group. The SAI of Denmark also offered to support further developments of the project.

41. According to the mandate of the group, the chair launched a review of annual reports and websites related to the topics of accountability and transparency. 23 annual reports (years 2004, 2005 and 2006) and websites were analysed: Australia, Austria, Belgium, Canada, Denmark, Estonia, Finland, France, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Morocco, Netherlands, New Zealand, Norway, Poland, Portugal, Slovenia, UK, USA. The conclusions of this review can be briefly formulated:

- the 23 SAIs report on their activity, in the different fields of audit and aspects of the SAI's activity (including international affairs).
- performance reporting is less developed: performance reporting, considered widely, includes items like analysis of economy, efficiency and effectiveness of the SAI's activity, impact of audits (rate of public expenditure audited), performance indicators, internal and external performance, follow-up of recommendations . 14 SAIs apply different aspects of this approach (Australia, Canada, Denmark, Finland, France, Hungary, Ireland, Lithuania, Netherlands, New Zealand, Poland, Portugal, UK, USA). The variety of methods and indicators used is very large.
- 10 give information about their resources, budget, staff training policies, etc

This review shows the variety of methodologies used by SAIs to report on their performance, the difficulty to define quantitative indicators for audits' outcomes, and the different conceptions which SAIs have of their stakeholders or "clients".

42. Another 5 SAIs (Bolivia, Bosnia and Herzegovina, Romania, Russia, South Africa) presented communications on performance reporting at the UN-INTOSAI Symposium in Vienna (April 2007).

The questions raised by the methodology of performance reviews should be the topic selected for INCOSAI 2010.

43. However, any future work dealing with the performance and impact of SAIs within the realm of INTOSAI, should be subject to coordination with the PSC project on transparency and accountability in order to avoid overlap.

44. According to the major aspects of accountability and transparency identified by the discussion paper, the review of existing documents and websites leads to define 5 main areas of accountability and transparency:

- SAIs' mandates and responsibilities, missions and strategies
- Audit standards and methods
- Management and finance
- Ethics
- Reporting on activities.

45. However, reviewing the existing documents and the current practices of the various SAIs emphasised the great diversity of the information provided by the institutions. It also stressed their technical nature and their specificity which make them hardly available for the public opinion.

Considering this, the PSC project group suggests that it would:

- Draft a list of key information or features that should be made available by each SAI for the public concerning its structure, its activities and its accountability.
- Enhance some good practices that could illustrate the guidelines promoted so far by the INTOSAI.

- The draft generic code document is presented at INCOSAI 2007 after having been circulated, discussed and commented by the group members.

Collection of best, analysis of reports and websites, gathering of information through questionnaires, should be continued and discussed in the group and in the PSC.

Subsequent to this presentation, the time-frame agreed upon is as follow:

- Exposure draft for discussion at the PSC Steering Committee meeting, September 2008
- Exposure draft for comments in the INTOSAI family
- Exposure draft for final approval at the PSC Steering Committee meeting, spring 2009
- Exposure draft for translation
- Exposure draft to the INCOSAI 2010.

V. Subcommittee on Financial Audit Guidelines (FAS) (ISSAI 1000–2999)

A. The achievements of the FAS 2004-2007

46. The strategic goal of FAS for 2004 to 2007 was defined as:

“Develop high quality guidelines that are globally accepted for the audit of financial statements in the public sector through leverage on the expertise and resources of the IAASB, an internationally respected auditing standards setting organization, for a strategic and cooperative partnership.”

47. Each guideline within the Financial Audit Guidelines comprises an International Standard of Auditing (ISA), developed by the International Federation of Accountants’ (IFAC) International Auditing and Assurance Standards Board (IAASB), and a Practice Note, developed by INTOSAI. The Financial Audit Guidelines are presented in the INTOSAI classification system of International Standards of Supreme Audit Institutions (ISSAIs) – numbers 1000-2999. Additional ISSAIs, not including an ISA, will be developed for specific issues, such as:

- ISSAI 1000 Implementation guidelines on Financial Audit
- ISSAI 1001 Bridge between INTOSAI Auditing Standards and International Standards on Auditing (ISAs)
- ISSAI 1002 General considerations when applying International Standards on Auditing (ISAs) in the public sector
- ISSAI 1003 Glossary to the Financial Audit Guidelines

48. Initially substantial resources were used to develop the work processes and terms of reference for experts and back-office experts and to ensure that the processes were adequate for developing high quality standards as well as establishing a panel of experts for the development work. This work with establishing processes has provided the Subcommittee with a due process for the development of guidelines and forms the basis for the on-going work. The focus during the last two years has been to develop the ISSAIs.

49. For the development of Practice Notes the FAS Secretariat have developed and documented processes for two alternative procedures.

1. The development of a Practice Note as a result of participation in an IAASB Task Force.
The INTOSAI expert appointed to an IAASB Task Force to revise or develop an ISA will also be responsible for drafting a Practice Note. The expert is supported by 2-3 back-office experts. The role of the expert is to contribute to the development of the ISA in specific public sector issues, but also providing general expertise in the task force work.
2. The development of one or more Practice Note not as a result of the participation in an IAASB Task Force.

FAS has used two different approaches when developing these Practice Notes:

- Practice Note Task Force, 2 experts and 2-3 back-office experts are appointed and given the responsibility to develop a certain number of Practice Notes. The experts and back-office experts communicate through emails and telephone calls.
- Special Expert Team, 4 experts and 1-2 back-office experts are appointed. The experts meet for intensive work during a limited period of time (4-5 days). They are supported by the FAS Secretariat that takes care of the actual drafting. Additional meetings are held through the use of internet meeting and telephone conference facilities.

50. The use of Special Expert Teams has been very successful, it is more efficient and it improves the interaction between experts. It is however more costly and therefore not possible to use for all the Practice Note development work.

51. During 2004-2007 experts from INTOSAI have actively participated in ten IAASB Task Forces, of which three have been finalized, five are still on-going and in two IAASB Task Forces INTOSAI had to withdraw the representation due to the fact that the expert left the SAI or was given other responsibilities. The participation in the finalized task forces has resulted in four Practice Notes on public sector guidance relating to the ISAs.

52. Currently FAS has access in its Reference Panel to 146 experts and back-office experts from 74 different SAIs. During the period FAS has appointed 57 expert and back-office positions in different task forces or expert groups. Several experts have more than one position, the actual number of experts and back-office experts used is 41. The FAS Secretariat within the Swedish National Audit Office has seven staff members working for the project.

53. As of date FAS has drafted a total of 13 Practice Notes.

54. Practice Notes to the following ISAs were drafted following INTOSAI Participation in IAASB Task Forces:

- ISA 230 – Audit Documentation
- ISA 260 – Communications with those charged with Governance
- ISA 800 – Auditor’s report on special purpose audit engagements
- ISA 805 – Special Considerations when Reporting on Summary Financial Statements.

55. Practice Notes to ISAs were drafted in FAS Practice Note Task Forces and SETs as follows:

- ISQC 1 – Quality Control for Firms that perform Audits and Reviews of Historical Financial Information, and other assurance and related services engagements
- ISA 220 – Quality Control for Audits of Historical Financial Information
- ISA 300 – Planning an Audit of Financial Statements
- ISA 315 – Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
- ISA 330 – The Auditors Procedures in Response to Assessed Risks
- ISA 450 – Evaluation of Misstatements Identified during the Audit
- ISA 320 – Materiality in Planning and Performing an Audit
- ISA 240 – The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements
- ISA 600 - The Audit of Group Financial Statements.

56. The Practice Note to ISA 230 has been approved by the INTOSAI Governing Board in 2006. However, it has been redrafted to reflect the Proposed redrafted ISA and is therefore included for re-approval by the Governing Board and endorsement by INCOSAI. The Practice Notes for ISAs 260, 800, 220, 300, 315, 330, 450 and 805 were approved by FAS during its June 2007 meeting in Canada. The Practice Note for ISA 320 has been exposed for comments during September to November 2007 and is expected to be approved by FAS during its April 2008 meeting.

57. During its April 2007 meeting in Bahrain, the Professional Standards Committee decided that ISQC1 should be integrated with the INTOSAI Code of Ethics and included in the second level of the INTOSAI hierarchy of standards and guidelines. The work done so far by FAS has been turned over to the new PSC Project on Audit Quality for incorporation. The drafted Practice Note to ISQC 1 will therefore not be issued as a Practice Note.

58. The Practice Notes previously developed for ISAs 240 and 600 need some additional work before they can be exposed and approved by FAS and the Governing Board. The IAASB approval of the revised ISA 600 was delayed and therefore FAS' work on the Practice Note has been temporarily put on hold.

59. In addition, ISSAI 1000 – Implementation Guidelines on Financial Audit – Introduction, has been developed and is presented as a draft together with the ISSAIs for endorsement. ISSAI 1000 will be exposed for comments at a later date.

60. In 2003 the IAASB initiated the Clarity Project, which considers ways in which the clarity of IAASB Standards may be improved and involves the consideration and possible redrafting of all ISAs in a very short time. The redrafting primarily concerns consistency in the use of terminology in order to facilitate implementation and translation of the standards. INTOSAI has been actively participating in the redrafting project providing comments on the redrafted ISAs through a clarity expert group appointed by FAS.

61. The IAASB has taken a number of steps to enable the organization to complete both the revision of certain ISAs, and the redrafting of all ISAs, by 2008. The number of new IAASB projects has been affected by the Clarity Project and thus INTOSAI participation in new projects has been lower than expected. As a result of the Clarity Project several of the ISSAIs presented for endorsement are based on the redrafted ISAs, i.e. still proposed standards awaiting the approval of IAASB. The effective date is provisional, but will not be earlier than December, 15, 2008. The effective dates of the ISSAIs will be the same.

62. While FAS and INTOSAI welcome the Clarity Project it has caused a need to revise the FAS time plan with the result that nine Practice Notes are presented for endorsement by INCOSAI 2007.

63. FAS is a high performing and operative Subcommittee aiming at developing a substantial amount of text on technical matters. In order to achieve the goals set for INCOSAI in 2007 and 2010, the work for the Subcommittee members has intensified and the workload will remain high. The number of meetings has increased from two to four times a year, including both telephone conferences and physical meetings, to deal with the extensive work. Each representative on the Subcommittee is contributing both time and professional expertise and

experience to the Subcommittee's work. Without the effort and supportive work of the members of FAS this work would not be possible.

64. In addition to the thirteen Practice Notes already drafted (of which nine are presented for endorsement), experts of FAS are currently involved in the development of ten more Practice Notes (five in on-going IAASB task forces, two Practice Notes in a Practice Note Task Force and three in a Special Expert Team) and during 2008 new task forces will be set up. The number of effective ISAs as today is 35.

65. The FAS Secretariat has introduced a Quarterly Performance Report to communicate on a timely basis to the INTOSAI community and other stake holders. In addition, the secretariat maintains the FAS website where all developed guidance, meeting material and other documents are displayed. (<http://psc.rigsrevisionen.dk/fas>) Each issue of the INTOSAI Journal has a column on FAS developments.

66. All guidance developed by FAS is exposed for comments on the website. FAS receives between 10 and 20 comment letters on each guideline exposed and the responses from the SAI community have been very useful. The number of responses is very satisfactory, the SAI community is still encouraged to increase the number of comment letter to improve the usefulness and quality of the guidance.

67. FAS has also initiated a discussion on the future organization for maintenance of the ISSAIs for financial audit. After 2010 there will be a need to continue the co-operation with IAASB to revise and develop new ISAs and for INTOSAI to revise and develop new Practice Notes. The future structure must allow for continuously available resources at a high level of expertise. It will probably need other solutions for financing the activities as well. The organization needed for this work may be different from the existing organization.

B. Proposed new guidelines

68. FAS presents the following new guidance for approval by the Governing Board and endorsement by INCOSAI:

- ISSAI 1230 – Audit Documentation
- ISSAI 1260 – Communications with those charged with Governance
- ISSAI 1800 – Auditor's report on special purpose audit engagements
- ISSAI 1805 – Special Considerations when Reporting on Summary Financial Statements
- ISSAI 1220 – Quality Control for Audits of Historical Financial Information
- ISSAI 1300 – Planning an Audit of Financial Statements
- ISSAI 1315 – Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
- ISSAI 1330 – The Auditors Procedures in Response to Assessed Risks
- ISSAI 1450 – Evaluation of Misstatements Identified during the Audit.

69. In addition the following documents are presented as drafts:

- ISSAI 1320 – Materiality in Planning and Performing an Audit
- ISSAI 1000 – Implementation Guidelines on Financial Audit - Introduction

C. The FAS 2007-2010

- The aim of the Subcommittee is to present a comprehensive set of guidelines to be incorporated in the INTOSAI Financial Audit Guidelines (ISSAI 1000-2999) by 2010. The Financial Audit Guidelines will form in-depth guidance to the INTOSAI Auditing Standards. The Guidelines will belong to the fourth level in the existing hierarchy of standards in INTOSAI. The Guidelines will not be compulsory for INTOSAI members, but will constitute an INTOSAI recommended best practice.
- The purpose is formulated in the FAS strategy: "To develop high quality guidelines that are globally accepted for the audit of financial statements in the public sector by making use of the best resources from the INTOSAI members and by leveraging the expertise and resources of the IAASB, an internationally respected auditing standards setting organization, for a strategic and cooperative partnership"

The Subcommittee will in 2007-2010:

Continue to incorporate public sector considerations into the ISAs by:

- Participating as members in IAASB task forces to write audit standards on current and future projects
- Writing comment letters on ISA exposure drafts where INTOSAI has not provided any input to the IAASB task force.

Continue to provide guidance above and beyond what is provided in the ISA for public sector audits by

- Drafting Practice Notes for all ISAs in order to provide special considerations for the public sector
- Drafting additional guidance to deal with the specific considerations of the public sector which together with ISAs and Practice Notes will form the INTOSAI Financial Audit Guidelines.

Present a comprehensive set of the Financial Audit guidelines for endorsement at INCOSAI in 2010.

- The goal of the Subcommittee is to present a comprehensive set of financial audit guidelines to INCOSAI, comprising ISAs and Practice Notes and additional guidance.

The Financial Audit Guidelines presented for endorsement by INCOSAI are based on the proposed ISAs according to the IAASB clarity project. The approved ISAs may change compared to these and the Practice Notes need to be adjusted accordingly. The clarity project will be finalized during 2008.

Motion:

70. The chair of FAS moves:

- That the Congress endorse the proposal of the guidelines to be included in the Financial Audit Guidelines, comprising of ISSAI 1220, ISSAI 1230, ISSAI 1260, ISSAI 1300, ISSAI 1315, ISSAI 1330, ISSAI 1450, ISSAI 1800 and ISSAI 1805.
- That FAS and the Governing Board are given the mandate to approve any conforming changes to an INTOSAI Financial Audit Guideline when the original guideline have already been endorsed by INCOSAI. INCOSAI will be informed of ISSAIs in which conforming changes have been made.

VI. Subcommittee on Performance Audit (PAS) (ISSAI 3000-3999)

A. The achievements of the PAS 2005-2007

71. The Performance Audit Subcommittee – PAS was created by the Professional Standards Committee – PSC at the meeting of the PSC Steering Committee, held in September of 2005. On that occasion, the Brazilian Court of Audit was nominated Chair of the Subcommittee. The establishment of the Subcommittee was approved by the INTOSAI Governing Board, at its 54th Meeting, in November of 2005.

72. In order to ensure the participation of several INTOSAI Regions, the Auditor General of Denmark and Chair of the Professional Standards Committee, Mr. Henrik Otbo, and the former President of the Brazilian Court of Audit and former Chair of the Performance Audit Subcommittee, Minister Adylson Motta, requested the presidents of the INTOSAI Regional Groups to nominate one SAI of their region to integrate the Subcommittee. SAIs with special interest and expertise on performance audit were also invited to become members.

73. At present, the PAS is made up of the SAIs of the following countries and one international organization:

- Brazil, Chair (OLACEFS);
- Australia (ASOSAI);
- Canada;
- France (EUROSAI);
- Guyana (CAROSAI);
- Kiribati (SPASAI);
- Mexico (OLACEFS);
- Netherlands (EUROSAI);
- Norway (EUROSAI);
- Saudi Arabia (ARABOSAI);
- Sweden (EUROSAI);
- Tunisia (ARABOSAI);
- United Kingdom (EUROSAI);
- European Court of Auditors (EUROSAI).

74. The PAS participated in the meetings of the PSC Steering Committee, represented by its Chair, the Brazilian Court of Audit (the 2nd meeting, in May 2006; the 3rd meeting, in September 2006; and the 4th one, in April 2007).

75. The 1st PAS Meeting took place at the headquarters of the Brazilian Court of Audit, in Brasília, Brasil, on August 8 and 9, 2006. Representatives of the European Court of Audit and the SAI(s) of Australia, Brazil, Canada, Norway and Saudi Arabia participated in the event. They discussed and approved PAS Terms of Reference and Work Plan 2006-2008.

76. The Meeting agenda included presentations by the Brazilian Court of Audit participants about an audit on the "Family Grant" federal government program and about the e-learning course on performance audit offered by the Court's training center. Besides that, each participant gave a briefing of the work their respective SAIs are carrying out in the area of performance audit, talking about the main challenges and strengths.

77. One of the actions included in the Work Plan approved during the 1st meeting was to “consult IDI about their current approach on performance audit training and particularly on how INTOSAI guidelines fit into that training” (PAS Work Plan 2006-2008 - mandate 1, 1.1).

78. As PAS Chair, the Brazilian Court of Audit contacted IDI suggesting that PAS and IDI establish permanent communication and develop a joint training strategy on performance audit. The Director General of IDI, Ms. Else Karin Kristensen informed, among other points, that IDI was going to carry out a comprehensive assessment for future capacity building interventions in some regions of Intosai and that performance audit would be one of the areas considered. The Director General stressed the importance of keeping IDI and PAS mutually informed about needs and developments in the field of performance auditing.

79. Another task included in the Work Plan was to “analyse results of the INTOSAI Professional Standards Committee (PSC) survey on the use of INTOSAI and other standards from a performance audit perspective and identify key needs for additional guidance” (PAS Work Plan 2006-2008 – mandate 2-2.1).

80. The survey results were analysed by the technical staff of the Brazilian Court of Audit. They concluded that there is a real demand for further guidelines in addition to ISSAI 3000: 64 SAIs answered that there is a need for further guidelines on performance auditing. However, the results did not allow PAS to identify the scope and content of the additional guidelines needed, since the answering SAIs do not totally agree on this.

81. The analysis of the PSC survey results carried out by the Brazilian Court of Audit was distributed to all PAS members together with some updates from the PAS Chair. Regarding the conclusion on the use of the PSC survey results, we presented a suggestion offered by Kristoffer Blegvad, Adviser of the PSC Chair. He agreed that the PAS needed an alternative approach in order to take further actions and presented the following suggestion: he would send us the full set of data obtained by the survey and PAS would use it to identify the relevant SAIs to which we would send follow up questions that could provide reliable and detailed information on the scope and content of the guidelines to be developed.

82. We considered the suggestion above – a “mini” survey – interesting and feasible and presented it to PAS members, proposing that we prepare a small set of questions to the 64 SAIs which had answered that they needed further guidelines on performance auditing. We asked them to make suggestions regarding this set of questions. The members who replied supported the initiative.

83. During the PSC Steering Committee meeting, in Bahrain, it was decided that the PSC would develop a project on audit quality, in order to formulate an overall code for audit quality control within SAIs. Since the code will also consider performance audit, the PAS was invited to nominate a representative to participate in the project. PAS agreed to participate and nominated the SAI of Norway as its representative.

B. The PAS 2007-2010

84. The purpose of the Performance Audit Sub-Committee (PAS) in 2007-2010 is to promote the INTOSAI Implementation Guidelines for Performance Audit and to develop and

disseminate other guidance that may be needed by the INTOSAI community in order to finalize the development of INTOSAI performance audit guidelines (ISSAI 3000-3999).

The Subcommittee will in 2007-2010:

- Carry out consultations in the INTOSAI community to follow up on the results of the survey report and further identify the needs for additional guidelines and training in the area of Performance Audit.
- Based on the results of these consultations PAS will develop draft guidelines on applied qualitative and quantitative methods used on performance audits (ISSAI 3100). The guidelines will supplement the performance audit guidelines endorsed by INCOSAI in 2004. Areas that might be considered include topic selection, design, resourcing, audit scope, reporting and adequacy of audit evidence.
- PAS will also use the results related to performance audit of the needs assessment for future capacity building interventions carried out by the IDI in 2007, in order to identify demands for training in the area, in the different regions of INTOSAI.
- Based on results from tasks 1 and 3, PAS will contact IDI and other agencies in order to propose the organisation of training actions in the field and request support for them.
- With PSC guidance, PAS will promote interaction with international co-operation agencies in order to make them aware of PAS availability to provide advice on the importance of performance audit, and to help SAIs develop the necessary skills.

VII. Subcommittee on Compliance Audit (CAS) (ISSAI 4000-4999)

A. The achievements of the CAS 2004-2007

85. The Working Group on Compliance Audit was established at the Auditing Standards Committee (ASC) meeting in Budapest 10 October 2004, with the overall objective to develop INTOSAI guidelines for compliance audit to be presented at INCOSAI 2007. The Working Group was renamed Compliance Audit Subcommittee (CAS) after establishment of the Professional Standards Committee. According to the Terms of Reference agreed upon at the Budapest meeting, CAS should aim to:

1. Provide an overview of the different mandates, etc., SAIs have regarding compliance audits;
2. Elaborate on and clarify the term "compliance audit";
3. Give practical guidance on how compliance audit should be planned, executed and reported.

86. An overview of different mandates, etc., was presented at the ASC meeting in Oslo in September 2005, and used as input to the further work. An Issues Paper elaborating on the term "compliance audit" and discussing the overall approach to compliance audit guidelines was presented and approved by ASC at the meeting. The Issues Paper argued that an extended perspective on compliance audit should be sufficiently flexible to take account of the different mandates SAIs have, and also to make the compliance audit guidelines applicable for both the court of accounts and the auditor general model. Compliance audit in a SAI context should have a broader scope than compliance audit in ISA (International Standards on Auditing) 250 on consideration of laws and regulations. The Issues Paper recommended including the audit of the execution of the budget more explicitly within the concept of an extended compliance audit. Depending on the structure of the public sector and the mandate of the SAI, the extended perspective should cover compliance audit at all levels of government, including audit of overall central government financial statements or similar, and the level of public agencies.

87. The Issues Paper argued that the guidelines to be presented at INCOSAI 2007 should have emphasis on compliance audit related to audit of financial statements, while recognizing that some SAIs include the audit of compliance issues within their concept of performance auditing. It was suggested that guidance on compliance audit as a part of performance audit, or as a separate audit type, should be further elaborated on and developed after INCOSAI 2007.

88. CAS presented a draft of compliance audit guidelines dealing with compliance audit as an integral part of the audit of financial statements to the PSC Steering Committee meeting in Bahrain 23-24 April 2007. The meeting decided that the draft should form part of a complete set of guidelines for compliance audit, consisting of:

- ISSAI 4000: A general introduction to guidelines on compliance audit – presenting an overall view on compliance audit.
- ISSAI 4100: Compliance audit guidelines related to audit of financial statements.

- ISSAI 4200: Further guidance on compliance audit – e.g. as part of performance audit or as a separate audit type.

89. The Steering Committee supported that an Exposure Draft should be submitted to all INTOSAI members, with a view to presenting a final draft at INCOSAI in Mexico.

90. CAS got some 40 answers from SAIs and other interested parties to the request for comments to the Exposure Draft. Even though many SAIs supported the draft, there were also critical views and proposals for rewriting parts of the document. In order to try to accommodate the various points of view, CAS intends to present the guidelines only as a draft to INCOSAI 2007. The draft, which is related to audit of financial statements, should thereafter be adjusted on the basis of the exposure comments, and subsequently presented as part of a complete set of guidelines on compliance audit, including further guidance on compliance audit as part of performance audit or as a separate audit type.

B. The CAS 2007-2010

91. The purpose of the Subcommittee in 2007-2010 is to finalize the development of the INTOSAI Compliance Audit Guidelines (ISSAI 4000-4999). The guidelines shall give practical guidance on how compliance audit should be planned, executed and reported.

The Subcommittee will in 2007-2010:

- Present to INCOSAI 2007 a draft of ISSAI 4100 – Compliance audit guidelines related to audit of financial statements. After INCOSAI 2007, the draft will be adjusted on the basis of recently received exposure comments, and subsequently presented as part of a complete set of guidelines on compliance audit by INCOSAI 2010. The final draft may contain application material which is intended to provide further explanation and guidance on some topics.
- Develop ISSAI 4000 – A general introduction to guidelines on compliance audit, representing a joint perspective on all types of compliance audit.
- Develop further guidance on compliance audit as part of performance audit or as a separate audit type (ISSAI 4200-4xxx). Whilst ISSAI 4100 deals with compliance audit related to audit of financial statements, some SAIs include the audit of compliance issues within their concept of performance auditing or regard it as a separate audit type.

VIII. Subcommittee on Internal Control Standards (INTOSAI GOV 9100-9199)

A. The achievements of the Subcommittee on Internal Control Standards 2004-2007

92. The reference period was used to examine how the Guidelines for Internal Control Standards for the Public Sector as approved at the 18th INCOSAI could be further elaborated and amplified. To get a better insight into the matter surveys on the development of internal control tools and on aspects of good governance were organized among all INTOSAI members.

93. Results of the surveys performed among INTOSAI members indicated a strong need for internal control tools as well as guidance on governance. The surveys showed for instance that some main terms such as corporate governance or audit committee are misinterpreted in a number of countries.

94. Rather than creating new IC-tools and guidance on governance, the Subcommittee decided to focus on making **existing** IC-tools and guidance on governance available to all SAIs through a page on INTOSAI PSC's website.

95. The objective is to create an **electronic platform** in the short term. INTOSAI members will be asked to provide the Subcommittee with existing material in order to make it available on that platform. In doing so, an index will be developed.

96. Within the framework of the continuous updating of the Guidelines for Internal Control Standards for the Public Sector the Subcommittee has come up with an explanatory document providing further information on **Entity Risk Management** (see below).

97. In the scope of the dual approach, adopted by the PSC, and with reference to INTOSAI's strategic plan which states that collaboration with other standard setting bodies should be amplified, the Subcommittee used the reference period to prepare a Memorandum of Understanding with the Institute of Internal Auditors. The MoU was signed in the summer of 2007 by the PSC's Chair on behalf of INTOSAI and, for IIA, by its President, Mr. Richards. After the 19th INCOSAI the collaboration with the IIA will be given shape. In the meantime preparatory discussions have already been held and all Subcommittee members have been able to provide their input.

98. During the reference period the Subcommittee was quite attentive to the marketing of the Guidelines for Internal Control Standards for the Public Sector. It took part in two workshops put on by the European Commission (March 2006, Bled) and was represented at a seminar on internal control organized by the Belgian Court of Audit in association with its European Union counterpart (June 2007, Brussels). Subcommittee members were also invited to explain the guidelines at international conferences. This year, the Subcommittee was present at the IIA International Conference (July 2007, Amsterdam) and at the Internal Financial Control Conference (September 2007, Budapest). A consultation of the Subcommittee members made it obvious that SAIs of all INTOSAI Regional Working Groups are endeavouring to get the guidelines applied at the national level, by arranging for translations into national languages, by propagating the use of the guidelines towards and

with various government entities, especially ministries of Finance, by training government internal audit entities.

99. The Subcommittee held its three-yearly meeting in the Sultanate of Oman (January 2007). This meeting was prepared during a task force meeting (Brussels, February 2006).

During the reference period the Subcommittee was extended to the SAIs of Brazil and South Africa. It consists presently of 28 members.

B. Proposed new guideline

100. The last years there has been a significant shift towards a risk management implementation on the basis of the COSO Enterprise Risk Management (ERM) framework. The Subcommittee decided to introduce the ERM framework as an explanatory document to the existing Guidelines for Internal Control Standards for the Public Sector. The document, entitled 'ISSAI 9130 Guidelines for Internal Control Standards for the Public Sector - Further Information on Entity Risk Management', explains the relationship between the guidelines and the ERM-model. It provides a high level overview of the key features of the ERM-model as well as links to the relevant detailed guidance. It will help both public management and SAIs understand and apply the ERM framework. However, it is not intended to replace the Guidelines for Internal Control Standards for the Public Sector but, rather, is designed to provide complementary additional information.

C. The Subcommittee on Internal Control Standards 2007-2010

101. The purpose of the Subcommittee in 2007-2010 is to promote and further develop the INTOSAI Guidance on good governance and internal control (INTOSAI GOV 9100-9199).

The Subcommittee will in 2007-2010:

- Carry on its efforts to enhance the application of the Guidelines for Internal Control Standards for the Public Sector.
- More particularly focus on making existing internal control tools and guidance on good governance available to all SAIs through a page on INTOSAI PSC's website. The objective is to create an electronic platform in the short term. INTOSAI members will be asked to provide existing material in order to make it available on that platform. In doing so, an index will be developed and made accessible to everybody, including public managers.
- Follow up on the newest internal control developments, e.g. the necessity for further elaboration of the paper on the COSO ERM model will be considered.
- In execution of the MoU, consult with the IIA in order to achieve IIA's involvement in the Subcommittee's activities. In the short term, an action plan will be elaborated which will concretely list actions, expected outcome and timing of deliverables which support the MoU's intent.
- In the context of the PSC's dual approach, initiate lines of communication with COSO.
- Carry on its efforts in terms of marketing and implementation of the guidelines, both through the activities of the Subcommittee itself and through monitoring and support of activities directed by other entities.

Motion:

102. The Subcommittee on Internal Control Standards submits the document 'ISSAI 9130 Further Information on Entity Risk Management' and the work plan 2007-2010 for approval by the Governing Board and INCOSAI 2007.

IX. Subcommittee on Accounting and Reporting (INTOSAI GOV 9200-9299)

A. The Achievements of the Subcommittee on Accounting and Reporting 2004-2007

103. The primary activity of the Subcommittee has been to observe and participate in the accounting standard setting meetings of the International Public Sector Accounting Standards Board (IPSASB), formerly the Public Sector Committee (PSC).

104. The Subcommittee has had full "floor rights" to participate in the discussions about developing public sector accounting standards and related matters, including input on agenda setting, which allowed us to provide input both during the development of exposure drafts of accounting standards as well as deliberations on final standards based on public comments on the exposure drafts. In addition, several IPSASB members, who also are current or former representatives of INTOSAI members, actively participated in IPSASB deliberations. Further, INTOSAI members have commented directly on the exposure drafts, which is a practice that has been encouraged by the Subcommittee.

105. During the last three years, the IPSASB issued 4 new standards and updated 12 standards, including amendments to the standard on the cash basis of accounting. The four new standards are:

- IPSAS 21: Impairment of Non-Cash-Generating Assets
- IPSAS 22: Disclosure of Financial Information About the General Government Sector
- IPSAS 23: Revenue from Non-Exchange Transactions (Taxes and Transfers)
- IPSAS 24: Presentation of Budget Information in Financial Statements

Current and proposed IPSASB projects include:

- Conceptual framework,
- Social benefits,
- Long-term fiscal sustainability,
- Impairment of cash-generating assets,
- Employee benefits,
- Financial instruments,
- Service concession arrangements,
- External assistance,
- Entity combinations,
- Heritage assets, and
- Improvements to International Public Sector Accounting Standards.

Further, based on a September 2007 IPSASB analysis, the number of countries adopting or planning to adopt the IPSASB standards continues to grow.

B. The Subcommittee on Accounting and Reporting 2007-2010

The purpose of the Subcommittee in 2007-2010 is to observe and participate in the accounting standard-setting meetings of IFAC's International Public Sector Accounting Standards Board (IPSASB), formally the Public Sector Committee.

The Subcommittee will in 2007-2010:

- Continue to participate in IPSASB public sector standard-setting activities,
- Prepare periodic reports for the INTOSAI membership about current and planned activities,
- Encourage INTOSAI members to provide comments directly to the IPSASB on its Exposure Drafts and similar documents,
- Facilitate information exchange and knowledge sharing among SAIs.

Also, as the IPSASB considers the reporting of new types of information, such as long-term fiscal sustainability reporting and disclosure of future social benefit cash transfers, the Subcommittee will work closely with the other members of the Professional Standards Committee to proactively address any related financial auditing issues.

X. The PSC 2007-2010

106. In 2007-2010, the PSC Steering Committee will continue to support the work of the Subcommittees and contribute to the development and maintenance of ISSAIs.

107. The workplan for the PSC 2007-2010 as approved by the PSC Steering Committee is attached to this report as annex 2 for information.

108. Within the realms of the strategic plan of INTOSAI and taking into account the results of the survey described above, the PSC will in the years 2007-2010 focus on:

- The elaboration of ISSAIs for the framework
- The elaboration of a proposal for a permanent structure for the maintenance of the ISSAIs and INTOSAI GOVs.
- The continued partnership with other standard setters

109. The mandate text below has been agreed upon by the PSC Steering Committee members at their meeting in Bahrain, 23-24 April, 2007:

Mandate for the PSC 2007-2010

110. In 2007-2010 PSC should continue to develop and promote the International Standards for Supreme Audit Institutions (ISSAI) by providing practical guidelines on financial audit, compliance audit and performance audit and other areas of importance to SAIs.

In the light of the results of the survey and the results achieved in 2004-2007 the PSC will:

- work to harmonize public sector audit internationally by recognizing, utilizing and building on standards issued by other standard setting bodies and developing supplementary guidance in areas where SAIs have special needs.
- give high priority to ensuring clear and user-friendly guidance on the special role of SAI's and particular features of public sector auditing - following the principle that *where the tasks are the same, the standards should be the same, where the tasks differ the standards should differ.*
- 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 INTOSAI Capacity Building Committee.

111. The current development of INTOSAI guidelines is a substantial investment. The costs have been borne by the participating SAIs. The decision to use and build upon other standards and the established cooperation between IFAC and FAS will require a permanent process of continuous updating in the future. Following the development of a complete set of guidelines in 2010, INTOSAI will need a body that can ensure the continuous reviewing and updating of the set of ISSAIs. The process should live up to good practice among standard-

setting organizations. It should ensure clarity and transparency by providing equal access to information to all interested parties and proper records of the standard development.

The strategic goals of the PSC 2007-2010

112. Before the next INCOSAI in 2010 PSC is aiming to achieve the following goals:

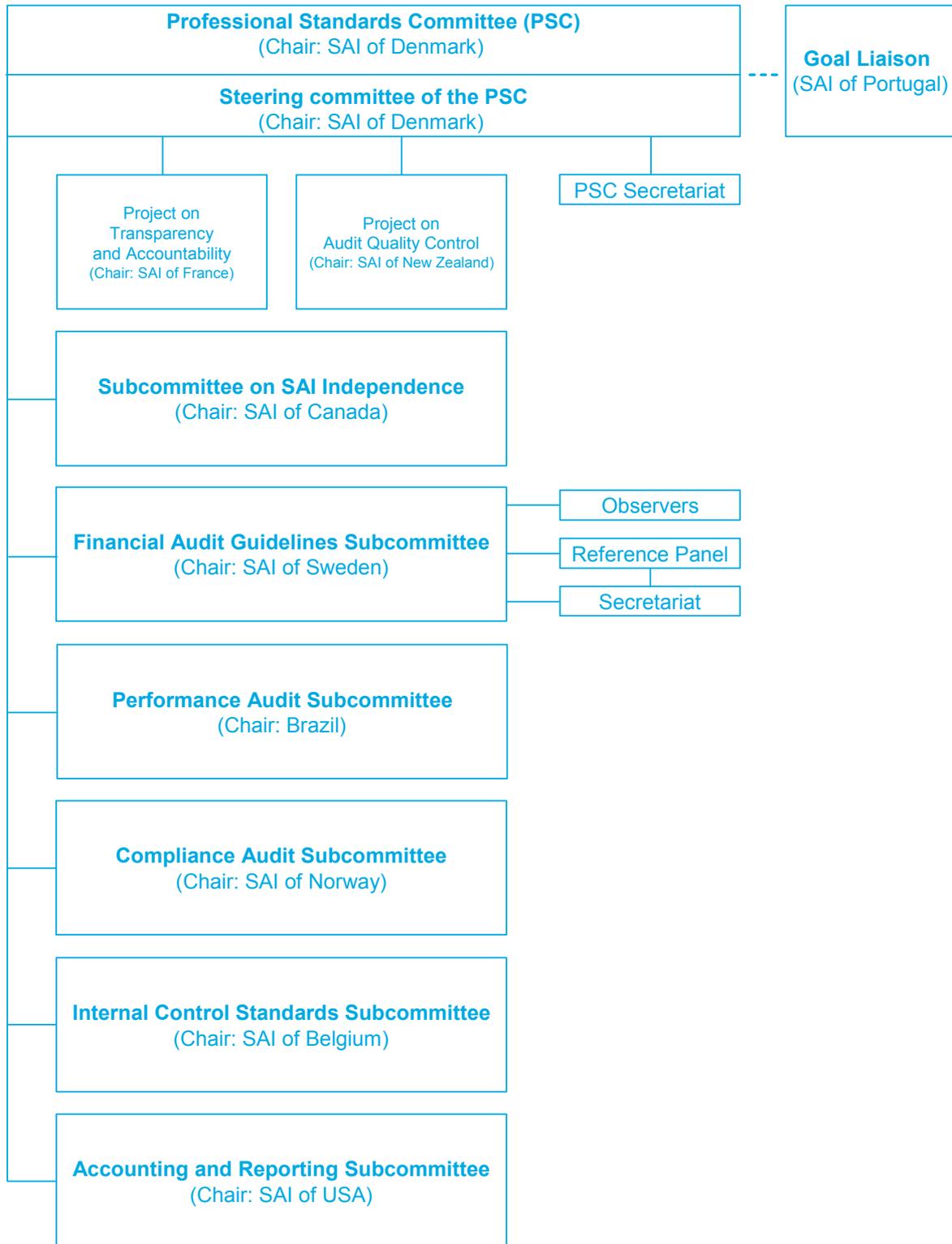
1. Present a set of principles of Transparency and Accountability for approval (ISSAI 20).
2. Present a set of principles on audit quality control of SAIs (ISSAI 40).
3. Present a comprehensive set of implementation guidelines on financial audit (ISSAI 1000-2999) that are to the furthest extent possible and appropriate based on the International Auditing Standards (ISA) issued by The International Federation of Accountants (IFAC) and contain practice notes and supplementary guidance on issues of special importance to SAIs.
4. Present a comprehensive set of implementation guidelines on performance audit (ISSAI 3000-3999). In addition to the existing performance audit guidelines (ISSAI 3000), the committee will consider guidelines for "smaller scale" performance audit tasks, e.g. audits of performance statements.
5. Present a comprehensive set of implementation guidelines on compliance audit (ISSAI 4000-4999) meeting the needs of the various tasks of SAIs, taking consideration of the differences in their legal status and mandate.
6. Continue to provide and promote INTOSAI guidance for Good Governance (INTOSAI GOV).
7. Continuously make all relevant documents accessible at www.issai.org in a user-friendly format. This task is carried out in close cooperation with the goal liaison and working groups of goal 3, the Capacity Building Committee and INTOSAI's General Secretariat.
8. 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.
9. Continue partnerships with other external standard setters in order to facilitate knowledge sharing and cooperation.

XI. Motion for the INTOSAI Professional Standards Committee

The Chair of the INTOSAI Professional Standards Committee moves that the Congress:

- Approve the mandate of the PSC 2007-2010
- Approve this PSC report

Annex 1: Overview of the structure of PSC



Annex 2: the PSC workplan 2007-2010

| Work plan for PSC 2007-2010 | | | | | |
|--|---------------|---|--|---|------------------------------------|
| ISSAI | | | GB 2008 | GB 2009 | INCOSAI |
| General (Steering Committee) | | | | | |
| 1 | - | Promoting standards and guidelines via www.issa.org | | | (Decision on adjustments – if any) |
| 2 | - | Permanent organisation of the continuous updating of ISSAIs | Principal decision by GB | Final decision by GB | Endorsement |
| Transparency and accountability | | | | | |
| 3 | ISSAI 20 | Principles on transparency and accountability of Supreme Audit Institutions | Exposure draft | Approval by GB | Endorsement |
| Quality control | | | | | |
| 3 | [ISSAI 40-49] | <p>Establish a project to:</p> <ul style="list-style-type: none"> - consider the possibility of providing guidance for SAIs on quality control based on IAASB’s ISQCs and other relevant materials widely used by SAIs, - upon approval of the Governing Board extend the cooperation with IAASB established on financial auditing guidelines to also cover guidelines on quality control of other auditing work performed by SAIs, - identify the needs of the SAIs on specific guidance for the public sector and develop the appropriate guidance | Approval of project terms of reference | Consideration of key principles in draft guidelines | Endorsement of any new guidelines |
| Financial Audit Guidelines Subcommittee (FAS) | | | | | |
| 4 | ISSAI 1000 | Implementation guidelines on Financial Auditing (Introduction) | Exposure draft | Approval by GB | Endorsement |
| 5 | ISSAI 1001 | Bridge between INTOSAI Auditing Standards and International Standards of Auditing (ISAs) | Exposure Draft | Approval by GB | Endorsement |
| 6 | ISSAI 1002 | General considerations when applying International standards of Auditing (ISAs) in Public Sector | | Exposure Draft | Endorsement |
| 7 | ISSAI 1003 | Glossary to Financial Audit Guidelines | | Exposure Draft | Endorsement |

| Work plan for PSC 2007-2010 | | | | | |
|-----------------------------|------------|---|----------------|----------------|-------------|
| | ISSAI | | GB 2008 | GB 2009 | INCOSAI |
| 8 | ISSAI 1100 | International Framework for Assurance Engagements | Approval by GB | | Endorsement |
| 9 | ISSAI 1200 | Objective and General Principles Governing an Audit of Financial Statements | Approval by GB | | Endorsement |
| 10 | ISSAI 1210 | Terms of an Engagement | Approval by GB | | Endorsement |
| 11 | ISSAI 1240 | The Auditor's Responsibility Relating to Fraud in an Audit of Financial Statements | Approval by GB | | Endorsement |
| 11 | ISSAI 1250 | Considerations of Laws and regulations in an Audit of Financial Statements | Approval by GB | | Endorsement |
| 12 | ISSAI xxxx | The Auditors response to Material Weaknesses in Internal Control | Exposure Draft | Approval by GB | Endorsement |
| 13 | ISSAI 1320 | Materiality in Planning and Performing an Audit | | | |
| 14 | ISSAI 1402 | Audit Considerations Relating to Entities Using Service Organizations | Exposure Draft | Approval by GB | Endorsement |
| 15 | ISSAI 1500 | Audit Evidence | Exposure Draft | Approval by GB | Endorsement |
| 16 | ISSAI 1501 | Audit Evidence – Additional Considerations for Specific Items | Exposure Draft | Approval by GB | Endorsement |
| 17 | ISSAI 1505 | External Confirmations | | Approval by GB | Endorsement |
| 18 | ISSAI 1510 | Initial Engagements – Opening Balances | | Exposure Draft | Endorsement |
| 19 | ISSAI 1520 | Analytical Procedures | | Exposure Draft | Endorsement |
| 20 | ISSAI 1530 | Audit Sampling and Other Means of Testing | | Exposure Draft | Endorsement |
| 21 | ISSAI 1540 | Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures | | Exposure Draft | Endorsement |
| 22 | ISSAI 1550 | Related Parties | Approval by GB | | Endorsement |
| 23 | ISSAI 1560 | Subsequent Events | | Exposure Draft | Endorsement |
| 24 | ISSAI 1570 | Going Concern | | Exposure Draft | Endorsement |
| 25 | ISSAI 1580 | Written Representations | | Exposure Draft | Endorsement |

| Work plan for PSC 2007-2010 | | | | | |
|---------------------------------------|--------------|--|---|----------------|----------------|
| | ISSAI | | GB 2008 | GB 2009 | INCOSAI |
| 26 | ISSAI 1600 | Special Considerations – Audits of Group Financial Statements (Including the Work of Other Auditors) | Approval by GB | | Endorsement |
| 27 | ISSAI 1610 | The Auditor’s Consideration of the Internal Audit Function | | Approval by GB | Endorsement |
| 28 | ISSAI 1620 | Using the Work of an Expert | | Approval by GB | Endorsement |
| 29 | ISSAI 1700 | The Independent Auditor’s Report on General Purpose Financial Statements | | Approval by GB | Endorsement |
| 30 | ISSAI 1705 | Modifications to the Opinion in the Independent Auditor’s Report | | Approval by GB | Endorsement |
| 31 | ISSAI 1706 | Emphasis of Matter paragraphs and Other Matter(s) Paragraphs in the Independent Auditor’s report | | Approval by GB | Endorsement |
| 32 | ISSAI 1710 | Comparatives | | Approval by GB | Endorsement |
| 33 | ISSAI 1720 | Other Information in Documents Containing Audited Financial Statements | | Approval by GB | Endorsement |
| Performance Audit Subcommittee | | | | | |
| 34 | ISSAI 3100 | Guidelines on specific applied qualitative and quantitative methods used on performance audits | First draft - based on consultations in the INTOSAI community | Exposure draft | Endorsement |
| 35 | | <p>Other tasks:</p> <ul style="list-style-type: none"> - promote the use of INTOSAI Implementation Guidelines for Performance Auditing - interact with international co-operation agencies - contact IDI and other agencies in order to seek support for training, according to the needs identified - monitor the development of theories and methods, assess the consequences for performance audit and disseminate the results. | | | |

| Work plan for PSC 2007-2010 | | | | | |
|---|------------|--|--|---|--|
| ISSAI | | | GB 2008 | GB 2009 | INCOSAI |
| Compliance Audit Subcommittee | | | | | |
| 36 | ISSAI 4000 | A general introduction to guidelines on compliance audit | Exposure Draft | | Endorsement |
| 37 | ISSAI 4100 | Compliance audit guidelines related to the audit of financial statements | Approval by GB | | Endorsement |
| 38 | ISSAI 4200 | Further guidance on the broader scope of compliance audit, for example as a part of performance audit or as a separate audit type | | Exposure Draft | Endorsement |
| Subcommittee on Internal Control Standards | | | | | |
| 39 | | <ul style="list-style-type: none"> - Create an electronic platform to make the internal control tools and guidance on good governance available to all SAIs - Continue the work with guidance on internal control as foreseen in the MoU with IIA, and initiate lines of communication with COSO (in the context of PSC's dual approach) - Support marketing and implementation of the guidelines | (Draft outline) Draft action plan (report) | Draft outline (report) (report) | (report) (report) (report) |
| Subcommittee on Accounting and Reporting | | | | | |
| 40 | | - Participation in IPSASB and reporting to INTOSAI | | | (report) |