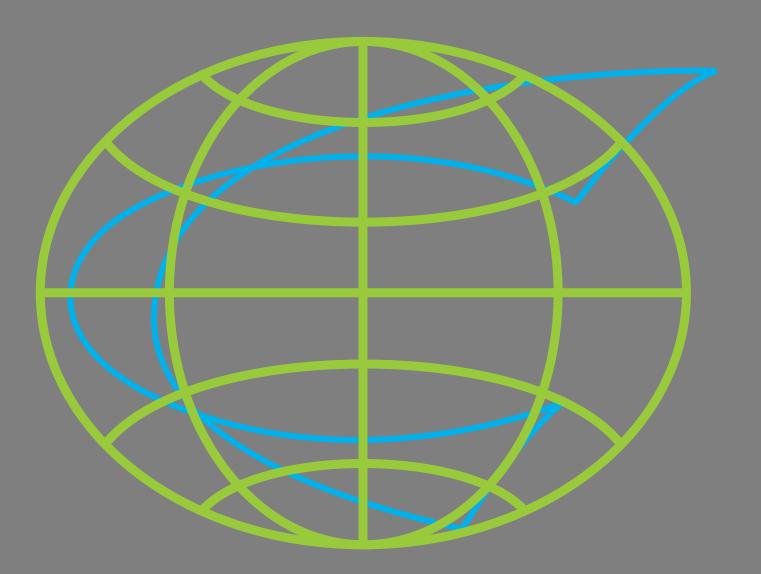# <u>DRAFT</u> PROGRESS REPORT

Achievements 2007-2010
and mandate for 2011-2013

Professional Standards Committee • 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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Content

I. Introduction

1. This publication is the progress report of the International Organisation of the Supreme Audit Institutions' (INTOSAI) Professional Standards Committee (PSC). The report presents the work of the PSC, including all projects and subcommittees, in 2007-2010 as well as a draft mandate for the work of PSC in 2011-2013.

2. The report will be presented to the PSC Main Committee on 21 November 2010, the INTOSAI Governing Board 22 November 2010 and the INCOSAI November 2010, during the first general plenary session.

3. According to the Strategic Plan of INTOSAI 2005-2010, the purpose of the PSC is to promote strong, independent and multidisciplinary Supreme Audit Institutions (SAIs) by encouraging SAIs to lead by example and contributing to the development and adoption of appropriate and effective professional standards.

4. 68 SAIs are members of the PSC. All members of the PSC meet every third year in connection with the INCOSAI. The everyday administration of the PSC is assigned to the PSC Steering Committee, which, among other things coordinate the work of the 5 PSC subcommittees, i.e. the Financial Audit 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 the PSC has established 2 projects: The Project on Transparency and Accountability and the Project on Audit Quality Control. Both project groups have completed their work, which will be presented to the INCOSAI 2010 for approval. An overview of the PSC organisational structure is enclosed in annex 1 to this report.

5. The PSC Steering Committee has 19 members and 5 observers. The Steering Committee consists of the chair of the PSC, the chairs of the subcommittees, a Goal Liaison, the chair of Goal 2 and Goal 3 in the INTOSAI strategic plan and representatives of INTOSAI's regional working groups. The members are: Bahrain, Belgium, Brazil, Cameroon, Canada, China, Denmark, France, India, Italy, Libya, Mexico, Morocco, New Zealand, Norway, South Africa, Sweden, USA and Zimbabwe.
Since the last INCOSAI in 2007, the PSC Steering Committee has met four times. On 23-24 April 2007 in Manama (Bahrain), 21-23 October 2008 in Beijing (China), 17-19 June 2009 in Brasilia (Brazil) and 5-7 May 2010 in Copenhagen (Denmark).

6. This report is the result of a joint effort of the PSC Chair, all PSC subcommittees and projects. Following the INCOSAI's approval of the ISSAI framework in 2007, the PSC has in the period 2007-2010 focused on the development of a comprehensive set of ISSAIs and INTOSAI GOVs, in accordance with the PSC Strategic Goals 2007-2010 as approved by the Congress in 2007. Based on this work the PSC is now able to present 36 ISSAIs and 2 INTOSAI GOVs to the Congress for approval.

7. The strategic goals of the PSC 2007-2010 and progress against the goals is summarized in the table below. The goals were formulated at the INCOSAI 2007 and as illustrated all the goals have been accomplished.

Table 1: Status of PSC' strategic goals 2007-2010

Strategic Goal	Status
Present a set of principles of Transparency and Accountability for approval (ISSAI 20)	All goals have been completed and the ISSAIs and INTOSAI GOVs will be presented to the Congress for approval. A list of the ISSAIs and INTOSAI GOVs that are presented to the Congress for approval are included in table 2.
Present a set of principles on audit quality control of SAIs (ISSAI 40)	
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	
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	
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	
Continue to provide and promote INTOSAI guidance for Good Governance (INTOSAI GOV)	
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	www.issai.org is the official website which presents all ISSAIs and INTOSAI GOVs, whether under development or endorsed.
Present a proposal for a permanent structure and mandate for the continuous updating and improvement of the ISSAIs that is to be effective from 2011 following the approval of the XX INCOSAI	A due process paper for developing, revising and withdrawing ISSAIs and INTOSAI GOVs is presented to the Congress for approval
Continue partnerships with other external standard setters in order to facilitate knowledge sharing and cooperation	During the period there have been a close cooperation with the International Federation of Accountants (IFAC), the Institute of Internal Auditors (IIA) and the INTOSAI Development Institute (IDI)

Table 2 presents an overview of the documents which will be presented at INCOSAI 2010 as official INTOSAI documents for endorsement by the Congress.

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

Documents to be presented at INCOSAI 2010 for endorsement by the Congress	
International Standards of Supreme Audit Institutions (ISSAI) – INTOSAI's framework of professional standards	
Level 2 - Prerequisites for the Functioning of SAIs	
ISSAI 20	Principles of Transparency and Accountability
ISSAI 21	Principles of Transparency and Accountability Good Practices
ISSAI 40	Quality Control for SAIs
Level 4 – Auditing Guidelines Implementation Guidelines on Financial Audit	
ISSAI 1000	General Introduction to the INTOSAI Financial Audit Guidelines
ISSAI 1003	Glossary to Financial Audit Guidelines
ISSAI 1200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards of Auditing
ISSAI 1210	Agreeing the Terms of Audit Engagements
ISSAI 1240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
ISSAI 1250	Considerations of Laws and Regulations in Audit of Financial Statements
ISSAI 1265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
ISSAI 1320	Materiality in Planning and Performing an Audit
ISSAI 1402	Audit Considerations Relating to an Entity Using a Service Organization
ISSAI 1500	Considering the Relevance and Reliability of Audit Evidence
ISSAI 1501	Audit Evidence – Specific Considerations for Selected Items
ISSAI 1505	External Confirmations
ISSAI 1510	Initial Audit Engagements – Opening Balances
ISSAI 1520	Analytical Procedures
ISSAI 1530	Audit Sampling
ISSAI 1540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures
ISSAI 1550	Related Parties
ISSAI 1560	Subsequent Events
ISSAI 1570	Going Concern
ISSAI 1580	Written Representations
ISSAI 1600	Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)
ISSAI 1610	Using the Work of Internal Auditors
ISSAI 1620	Using the Work of an Auditor's Expert
ISSAI 1700	Forming an Opinion and Reporting on Financial Statements
ISSAI 1705	Modifications to the Opinion in the Independent Auditor's Report
ISSAI 1706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
ISSAI 1710	Comparative Information – Corresponding Figures and Comparative Financial Statements
ISSAI 1720	The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

ISSAI 1810	Engagements to Report on Summary Financial Statements
Implementation Guidelines on Performance Audit	
ISSAI 3100	Performance Auditing Standards
Implementation Guidelines on Compliance Audit	
ISSAI 4000	General Introduction to Guidelines on Compliance Audit
ISSAI 4100	Compliance Audit Guidelines for Audits Performed Separately from the Audit of Financial Statements
ISSAI 4200	Compliance Audit Guidelines Related to Audit of Financial Statements
INTOSAI Guidance for Good Governance (INTOSAI GOV)	
INTOSAI GOV 9140	Internal Auditor Independence in the Public Sector
INTOSAI GOV 9150	Co-operation and Co-ordination between SAIs and Internal Auditors in the Public Sector

II. The project proposal of the Harmonization of the International Standards of Supreme Audit Institutions – Revision of the Fundamental Auditing Principles (the Harmonization Project)

(This section will be adjusted to reflect the discussion of the Harmonization Project at the PSC Steering Committee meeting.)

Introduction
INTOSAI's Framework for Professional Standards was established by an official INTOSAI document approved by INCOSAI in 2007. By this decision a wide range of different documents that had been approved by INCOSAI in the past were classified into four levels and systematically numbered. All documents relevant for auditing were collected into one set of standards – The International Standards of Supreme Audit Institutions (ISSAI).

In the six years leading up to INCOSAI 2010, the PSC has developed new guidance in areas, where no guidance existed or the existing guidance was considered insufficient by the PSC Steering Committee and the PSC Subcommittees.

By 2010 the PSC's accomplishments will include achievement of its goal to provide a comprehensive set of practical guidelines at level 4 of the ISSAI Framework:
  - The Financial Auditing Subcommittee (FAS) has developed a full set of ISSAI 1000-1999 Financial Auditing Guidelines that provide practice notes to the International Standards on Auditing issued by IFAC.
  - The Performance Auditing Subcommittee (PAS) has supplemented the existing guidelines with a new ISSAI 3100 with improved guidance on performance auditing.
  - The Compliance Auditing Subcommittee (CAS) has provided a full new set of ISSAI 4000-4999 Compliance Auditing Guidelines establishing compliance auditing as the third branch of auditing

This will allow the PSC to move on to the next challenge: To develop the present collection of ISSAIs that have been developed over a long time span by a range of different working groups, task forces and subcommittees, into a truly coherent set of standards.

Therefore the PSC Steering Committee presents the following project proposal "The Harmonization of the International Standards of Supreme Audit Institutions – Revision of the Fundamental Auditing Principles" to the INCOSAI for motion.

The project proposal has been elaborated and agreed upon by the Chairs of the PSC Subcommittees on Financial Audit, Compliance Audit, Performance Audit and the PSC Chair. Emphasis has also been put on input from an initial assessment and input from the regional representatives of the PSC Steering Committee. Furthermore the project proposal was approved by the PSC Steering Committee at its meeting in Copenhagen 5-7 May 2010.

Purpose and scope of the project
The purpose of the Harmonization Project is to provide a conceptual basis for public sector auditing and ensure consistency in the ISSAI Framework.

The goals of the project are as follows:

Goal A: Revise the ISSAI 100-999 Fundamental Auditing Principles, in order to ensure that:
- they describe the general role and auditing function of a SAI and are relevant and useful for all members of INTOSAI;
- they provide overview and further references to the full set of ISSAIs where more operational guidance is provided;
- they provide a consistent set of concepts and an improved link between ISSAI 1 The Lima Declaration and the new set of comprehensive guidelines that are launched in 2010

Goal B: Make the limited editorial changes in ISSAIs 10-99 that are necessary in order to carry the revision of ISSAIs 100-999 through and improve consistency between the two levels of documents.

Goal C: Ensure alignment between the ISSAI 1000-4999 Implementation Guidelines and the new set of ISSAIs 100-999 Fundamental Auditing Principles. The alignment includes:
- consolidating the terminology of the full set of ISSAIs 100-4999 in accordance with a general glossary for the ISSAI Framework and ensure updated cross-references between the different ISSAIs;
- considering the extent to which there is a need to make further amendments in the ISSAI 1000-4999 guidelines as a consequence of new ISSAIs 100-999 Fundamental Auditing Principles, for instance in areas where text is moved from the guidelines to the principles, or where unintended differences between the different sets of guidelines exist.

Goal D: Consider the extent to which the ISSAI 5000-5999 Specific Guidelines can be aligned with the ISSAI 100-4999 and the general ISSAI terminology established under goal C.

The scope of the project is the guidance on auditing provided by the ISSAIs. This does not include:
- any overlapping and inconsistencies between the different documents at level 2 ISSAIs 10-99;
- harmonization of the INTOSAI GOVs or between the INTOSAI GOVs and the ISSAIs.

Planned ISSAIs and the project
The planned deliveries may be changed by the project group during the project at the approval of the PSC Steering Committee. Deliveries include the following:
- ISSAI 100-series – Basic concepts
- ISSAI 200 Financial Auditing

- ISSAI 300 Performance Auditing
- ISSAI 400 Compliance Auditing

The PSC Subcommittees will consider making editorial changes in the ISSAIs 1000-4999 in order to establish the consolidated general ISSAI glossary as described under goal C.

In addition, the considerations provided for by goal D may result in changes in the ISSAI 5000-5999 Specific Guidelines. This will be the responsibility of the INTOSAI Knowledge Sharing and Knowledge Services Committee (KSC).

Organization and process
A project group is established in order to complete the project by 2013.

The group is chaired by Denmark in its capacity as PSC Chair and responsible for the ISSAI Framework. The group should include the following appointed members:
- At least 2 members from each of the three PSC Subcommittees which are responsible for the implementation guidelines: FAS, PAS and CAS. We will strive for regional representation and for representation of various SAI models in this group.

The project group will consult representatives of INTOSAI as deemed necessary.

The numbering and timing of the different draft ISSAIs should be addressed by the project group and agreed upon by the PSC Steering Committee.

The project should be carried out in accordance with the due process for developing, revising and withdrawing ISSAIs and INTOSAI GOVs.

The project group will consider existing ISSAIs, the initial assessment made and other relevant standards in line with the dual approach.

Should the project group during the conduct of the project find that the planning, organization or key project directions need to be revised, it may at any time ask the PSC Steering Committee to take renewed decision.

Motion
The Chair of the INTOSAI Professional Standards Committee moves that the Congress approves the project proposal of the Harmonization of the International Standards of Supreme Audit Institutions - Revision of the Fundamental Auditing Principles.

(Awaiting input from the Subscommittees and Projects)

III. The Project on Transparency and Accountability

Motion: ISSAI 20 + ISSAI 21

IV. The Project on Audit Quality Control

Motion: ISSAI 40

V. Financial Audit Subcommittee (FAS)

Motion: 29 ISSAIs

VI. Performance Audit Subcommittee (PAS)

Motion: ISSAI 3100

VII. Compliance Audit Subcommittee (CAS)

Motion: ISSAI 4000, ISSAI 4100 + ISSAI 4200

VIII. Internal Control Standards Subcommittee

Motion: ISSAI

IX. Accounting and Reporting Subcommittee

X. The Professional Standards Committee (PSC) 2010-2013

As a consequence of the progress in the development of the ISSAI Framework, the PSC will in 2011-2013 change its main focus from developing the ISSAIs and INTOSAI GOVs to maintaining them and raising the awareness of the ISSAI Framework. As a consequence of this change in focus, the PSC has elaborated the following mandate for the period 2011-2013.

Mandate for the PSC 2011-2013

Within the realms of the updated strategic plan of INTOSAI, the PSC will in the period 2011-2013 focus on:
- The Harmonization Project, provided that the INCOSAI approves the project proposal (presented in chapter II)
- Raising the awareness of the ISSAIs and INTOSAI GOVs
- Continued development and maintenance of ISSAIs and INTOSAI GOVs

In order to make the mandate more operational, the following strategic goals for the PSC 2011 – 2013 have been agreed upon by the PSC.

The strategic goals of the PSC 2011-2013

The Harmonization Project
(Awaiting the outcome of the discussions at the PSC Steering Committee meeting.)

Raising awareness of the ISSAI Framework
(Awaiting the outcome of the discussions at the PSC Steering Committee meeting.)

Continued development and maintenance of ISSAIs and INTOSAI GOVs
(Awaiting the outcome of the discussions at the PSC Steering Committee meeting and subcommittee work plans.)

XI. Motion for the INTOSAI Professional Standards Committee

The Chair of the INTOSAI Professional Standards Committee moves that the Congress:
- Approves the mandate of the PSC 2011-2013
- Approves the PSC Report

Annex 1. Structure of the PSC 2007-2010