



## **Reports from the PSC subcommittees and projects**

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# **I. Major Achievements of the PSC, Subcommittees and Projects**

## **A. Project on Audit Quality Control**

The PSC has been remarkably successful in the short time since the PSC Steering Committee was established in 2005. Key achievements include:

- development of the ISSAI framework which has provided an umbrella for the collective efforts of a range of sub committees and project teams;
- promulgation of the 'dual approach' for the development of INTOSAI guidance material, thereby minimising the potential for INTOSAI to "reinvent the wheel";
- strengthening of collaborative arrangements with other key organisations, including IFAC and IIA;
- co-ordination of what was previously a fragmented approach to the development of INTOSAI standards and guidance;
- development of key new material to go into the ISSAI framework, including new guidance at level 2 (ISSAIs 10, 11, 20, 21 and 40), and level 4 covering the main types of work performed by SAIs;
- establishment of a project to review and update the existing material at level 3 of the ISSAI framework (the harmonisation project);
- comprehensive mapping exercise of the various mandates of SAIs around the world, and the nature of work performed by SAIs;
- support for ISSAI awareness raising initiatives throughout the SAI community which have put the ISSAI framework at the forefront;
- improved liaison with, and support for the work of IDI, and general support for capacity building activities around the various regions of INTOSAI;
- development of a document which sets out the purpose and authority of INTOSAI professional standards.

## **B. Financial Audit Subcommittee (FAS)**

### **Progress to date**

In accordance with the 2011-2013 work plan, the INTOSAI Financial Audit Subcommittee (FAS) has with the assistance of INTOSAI experts, continued to contribute to the development of the International Standards on Audit (ISA) and to draft corresponding Practice Notes to ensure that INTOSAI members will continue to have access to up to date Financial Audit Guidelines. The FAS work plan for the period 2011-2013 builds on the main tasks identified by the PSC Steering Committee during 2010:

- Maintain and continue to develop the ISSAIs on financial audit
- Create awareness for the standards and guidelines and contribute with expert knowledge on the guidelines, relating to implementation efforts
- Contribute to the consistency in the ISSAI framework
- Explore the advantages and possibilities including other standards issued by the IAASB as part of the INTOSAI Financial Audit Guidelines

- Summarize lessons learnt throughout the process, with the hope that the conclusions will contribute to further improvements of our own work as well as be a valuable resource to other INTOSAI bodies
- Monitor implementation of the guidelines among INTOSAI members

## **Members**

FAS has expanded the number of members during 2011. The current membership of FAS includes: Sweden (chair), Cameroon, Canada, China, European Court of Auditors, India, Korea, Kuwait, Mexico, Namibia, New Zealand, Norway, Russia, South Africa, United Kingdom and USA. The IAASB is observer member.

## **Work progress**

### Development of ISSAIs

FAS will, with the assistance of INTOSAI experts, continue to contribute to the development of the International Standards on Audit (ISA) and to draft corresponding Practice Notes to ensure that INTOSAI members will continue to have access to up to date Financial Audit Guidelines. During 2011 there are two on-going ISA Task Forces;

- Revision of ISA 610- Using the Work of Internal Auditors. INTOSAI is represented by an expert from SAI Canada, assisted by experts from South Africa and USA. The revised ISA was approved in December 2011 and the experts will present an updated Practice Note during 2012.
- Revision of ISA 720 - The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. INTOSAI is represented by an expert from SAI Sweden, assisted by experts from Estonia and the United Kingdom (Scotland). The revised ISA is scheduled to be approved during 2012, and the experts will present an updated Practice Note during 2013.

FAS will carefully consider the need and relevance of nominating INTOSAI experts for new revision or development initiatives within the IAASB.

The FAS secretariat has undertaken a survey to establish the views and needs within INTOSAI to include other IAASB standards related to financial audit or related services into the ISSAI structure. Standards to be considered includes for instance review standards, such as reviews of financial statements and reviews of interim financial statements, but also standards related to other areas such as green house gas statements. The survey included the following standards from the IAASB:

- ISAE 3402- Assurance Reports on Controls at a Service Organization
- ISAE 3410- Assurance Engagements on Greenhouse Gas Statements
- ISRS 4400- Engagements to Perform Agreed-Upon Procedures Regarding Financial Information
- ISRE 2400- Engagements to Review historical Financial Statements
- ISRE 2410- Review Of Interim Financial Information Performed by the Independent Auditor of the Entity

The survey was addressed to 75 SAIs, mainly those who in different ways has been involved in the development of the guidelines. The number of respondents was limited, on-

ly 20 SAI did respond. The FAS meeting in 2011 decided that, since it might be too early to assess the need for additional standards when a lot of SAI are still in the stage of deciding on implementation of the existing standards, to postpone the issue and undertake a new survey later this year, or beginning next year.

## Summarizing “lessons learnt” on the dual process adopted in developing the Financial Audit Guidelines

Lessons learnt throughout the IAASB-FAS co-operation process were planned to be summarized, so that the conclusions will contribute to further improvements in the FAS work as well as be a valuable resource to other INTOSAI bodies. The FAS meeting in Washington 2011 decided to put less effort on this area, since more resources were needed for the harmonization project, as well as for awareness raising activities. The FAS Chair will make a brief summary of lessons learned and based on this summary the subcommittee will consider if there is a need for further analysis.

### Cooperation with the IAASB

The FAS Chair, Mr. Gert Jönsson, is a public member of the IAASB for 2010-2012. Mr. Jönsson is assisted by FAS Director Mr. Jonas Hällström as technical advisor at the board. The FAS Chair and secretariat have already consulted with INTOSAI members on several occasions related to drafts, or consultation papers issued by the IAASB, and will continue to do so as and when needed. Among the existing projects within the IAASB there are several that are of great interest for the INTOSAI, such as;

- Project on Auditor’s Reporting
- Project on Audit of Disclosures
- Project on Audit Quality

In accordance with the Memorandum of Understanding between INTOSAI and the IAASB, FAS has nominated experts to participate in IAASB task forces to draft new or revise existing ISAs. Through the public members, and a reference group of additional INTOSAI experts, FAS has contributed to the inclusion of public sector considerations in the ISAs revised and redrafted to ensure increased clarity.

### **Meetings**

Since the last PSC Steering Committee meeting FAS has held one physical subcommittee meetings.

### **Awareness Raising**

With an aim to raise awareness of the INTOSAI Financial Audit Guidelines in the INTOSAI community, FAS has both participated in PSC awareness raising activities, and taken own initiatives.

One such initiative is the establishment of a panel of Key Persons around the INTOSAI Community with a particular interest in the Financial Audit guidelines. This far 84 Key Persons from 69 INTOSAI member countries have been appointed by their respective SAIs in order to spread information on the guidelines within their respective organizations.

The FAS Chair and/or Director have participated in a number of events and seminars to present the guidelines in 2011 as well as 2012. During 2011 the FAS Chair identified a

need to enhance the awareness raising activities of FAS, in addition to the ambition of PSC, and several speeches and visits to different INTOSAI members has been undertaken. In addition FAS has arranged or participated as speakers 3 seminars addressing 13 different INTOSAI members in the area of Financial Audit. Two of these seminars were addressing financial and compliance audits at the same time and the concept of combining financial and compliance was appreciated. A member of CAS (INTOSAI Compliance Audit Subcommittee) was presenting compliance audits.

FAS Chair and Director has had several discussions with representatives of IDI to find ways of supporting the work of IDI in the best manner. Such discussions will be ongoing.

### **Harmonization Project**

The FAS Secretariat and some FAS members have actively participated in the PSC Harmonization Project during 2011. The progress in this respect is described in the PSC progress report.

### **Communication**

FAS communicate with all relevant stakeholders through the issuance of "FAS News Letter" which replaces the FAS progress report issued earlier years.

## **C. Performance Audit Subcommittee (PAS)**

### **5<sup>th</sup> PAS Meeting:**

The 5<sup>th</sup> Meeting was held in Vienna, Austria, on February 28 and 29, 2012. The main themes of the agenda were: PAS participation in the Harmonization Project; the "Good practice guidance" documents; and the implementation of the PAS work plan 2011-2013.

### **PAS participation in the Harmonization Project**

PAS representatives in the Harmonization Project informed the Meeting participants about the progress of the Project and focused the discussion on ISSAI 100, Fundamental Principles of Public Sector Auditing, and ISSAI 300, Fundamental Principles of Performance Auditing.

As for ISSAI 100, they described the process of preparing it and went through the paragraphs of the draft, in order to allow PAS members to comment it. The group agreed that follow-up should be an important principle to be stated in ISSAI 100. Furthermore, other comments were sent to PAS representatives in the Project after the 5<sup>th</sup> Meeting, so that PAS members' contributions and concerns could be considered in the writing of the document.

The main issue within the discussion of the Harmonization Project, however, was the draft of ISSAI 300, which was presented to the group. Some of the general considerations in the drafting process and the general principles were highlighted. PAS members agreed on the number and content of the principles, but decided to work out details in them. Some contributions to the draft were offered during the meeting and others were given later, when PAS Chair circulated the draft among the members. Besides that, editorial subgroups were established to work on principles and on the wording.

### Good practice guidance

As informed to the PSC Steering Committee during its meeting in Wellington, PAS produced five guidance documents which aim to help SAIs in practical aspects of performance auditing. The documents were submitted to the 5<sup>th</sup> Meeting participants and unanimously approved (see item 5 below for more information on the documents).

### Implementation of the Work Plan 2011-2013

The last item of the Meeting agenda was the implementation of the work plan 2011-2013. The planned actions were analysed and special attention was given to the ones which were not implemented. The reasons for that were discussed and alternative courses of actions suggested. Two planned actions, related to the improvement of the PAS website, were more thoroughly debated: the inclusion of examples of best practice reports in the website and the creation of a forum to discuss and promote performance audit documents.

It was decided that the SAI(s) of Netherlands, Denmark and Brazil would make a proposal for a strategy regarding these actions to be presented to and discussed by PAS members.

### **Participation in the Project for the Harmonization of the ISSAIs:**

PAS is participating in the Project with three auditors: Norbert Weinrichter (SAI of Austria), Glória Merola (Brazil) and Tony Angleryd (Sweden).

PAS contributed by writing the draft of ISSAI 300 and participating in the writing and elaboration of ISSAI 100. PAS auditors have worked with the other Project team members through e-mail exchanges, virtual meetings and in-person meetings. In the period considered in this report, PAS representatives participated in the Project meetings in Washington, from November 29 to December 1, 2011, and in Copenhagen, on May 2 to 4, 2012.

ISSAI 300 was written by the PAS auditors involved in the Harmonization Project. The first draft produced by them was circulated among PAS members for comments and suggestions. After the consolidation of the comments, the draft was presented to the 5<sup>th</sup> PAS Meeting participants (item 1 above). Then it was circulated once more and other contributions were given. This new consolidated draft was taken to the Harmonization Project team during its meeting in Copenhagen, in the beginning of May.

During the meeting of the Project team, the draft of ISSAI 300 was considered and some other changes were made. The resulting version of the document was then sent to the PSC Secretariat in order to be presented to the PSC Steering Committee, in its meeting in Pretoria, in the end of May, 2012.

As for ISSAI 100, a PAS representative is working with other Project team members in the drafting. Besides that, PAS members presented some contributions to the draft when it was discussed during the 5<sup>th</sup> PAS Meeting (item 1 above).

### **Participation in the ISSAI Awareness Raising Task Force:**

PAS is participating in the Task Force with one representative: Auditor Luciano Danni, from the SAI of Brazil.

PAS representative is working to promote the dissemination of the ISSAIs within the Olacefs region. During the annual meeting of the Olacefs Regional Capacity Building Committee (CCR), the SAI(s) of Mexico and Brazil put forward a number of suggestions to enhance the awareness on ISSAI(s) in the region. CCR decided to carry out training programs about the ISSAIs for Olacefs SAIs in 2012. These programs will have the support of the German agency for international cooperation GIZ and will count on the collaboration of auditors from the SAIs of Mexico and Brazil. For 2013 and 2014, CCR is planning virtual courses on the ISSAI(s).

Furthermore, the Brazilian Court of Audit, SAI of Brazil and Chair of PAS, will host the annual General Assembly of Olacefs in November of 2012. One of the technical themes will be "The Implementation of the ISSAIs within Olacefs". The discussion of this theme will have the participation of PAS representatives and, probably, delegates from other PSC subcommittees.

Luciano Danni participated in the meeting organized by the IDI, on May 28-29, in Johannesburg, to discuss the planning of the programme called "ISSAI Implementation Initiative" that will be launched later this year of 2012 to promote the use of ISSAIs, at first in the English speaking Intosai regions.

#### **Good Practice Guidance on Performance Auditing:**

Five documents named "Good Practice Guidance" were produced by five subgroups made up of two or three PAS members. These subgroups produced drafts that were circulated among all PAS members for contributions. The consolidated drafts were analyzed during the 5<sup>th</sup> PAS Meeting and approved for dissemination. The documents are now published on the PAS website (<http://psc.rigsrevisionen.dk/composite-170.htm>).

The guidance documents are the following:

1. Selecting Audit Topics;
2. Communication in the Audit Process;
3. Safeguarding Quality in the Audit Process;
4. Making Performance Audit Reports Reader-friendly;
5. Setting the Audit Questions and Criteria.

### **D. Compliance Audit Subcommittee (CAS)**

Since the last PSC Steering Committee meeting in June 2011, CAS has had one meeting in Batumi, Georgia in September 2011. CAS is happy to announce a group of 17 members as Portugal was welcomed a new member this winter; Norway (chair), Brazil, Denmark, European Court of Auditors, India, Lithuania, Mexico, Namibia, Romania, Saudi Arabia, Slovakia, South Africa, Tunisia, Ukraine, Georgia, China and Portugal.

The CAS work plan for the period 2011–2013 builds on the three main tasks identified by the PSC Steering Committee during 2010;

To contribute to the consistency in the ISSAI framework (Harmonization Project)

To create awareness of the standards and guidelines and contribute with expert knowledge on the guidelines, relating to implementation efforts (Awareness raising)

To maintain and continue to develop the ISSAIs on Compliance Audit

The follow up on activities corresponding to the main tasks above and work in CAS has been organized in different subgroups;

### **The Harmonization Project**

CAS is represented by Norway, Slovakia and ECA in the project. Their focus in the last year has been on:

- Partaking in the development of ISSAI 100 Fundamental principles of public sector auditing
- Development of ISSAI 400 Principles of Compliance Audit

The CAS meeting in Batumi, Georgia last year fully supported the importance of the project and also discussed what priorities would be of interest for Compliance Audit to put forward in the project. It was also agreed to establish a "back office" function in the committee to support the project members who participate actively in the project. The project group has contributed to the development of a draft of ISSAI 100. The project is in the process of developing ISSAI 400, a draft is scheduled to be finalized for endorsement at the next meeting in CAS in September 2012.

### **Awareness raising**

#### *Strategy Project Team*

CAS has been represented by Norway and South Africa in the project. As South Africa has withdrawn from this project, a process will be put in place to find a replacement. CAS representatives had the responsibility of developing the presentation for awareness raising in Top Managements in SAIs of the ISSAI framework. The presentation also addresses adoption and implementation issues of great importance to be considered in the implementation process. There has been no meeting in the Strategy Project Team since the last PSC meeting in 2011.

Members of CAS have taken active part in their SAIs and regions to raise awareness on the ISSAI framework and discuss implementation issues. The members should also collect practices and share training material for beneficial use.

#### *CAS Subgroup*

CAS has also organized an internal subgroup on awareness raising. At the last CAS meeting India and Romania joined the chair, South Africa and Namibia in this subgroup. The main focus of the subgroup has been on developing a **Communication Kit on ISSAI 4000-series**.

A presentation of Compliance Audit will be published on the CAS web-site and to be recommended used when focusing Compliance Audit in the awareness raising and implementation process.

The subgroup will further look into how to best practice/lessons learned and look at questions /special issues to raise in seminars etc. The group will also look into how to make use of the information in IDIs Stocktakingreport related to Compliance Audit - SAIs need in capacity building.



### *Development of the CAS web-site*

The CAS web-site has been redesigned to be a useful tool in gathering and systematizing information on the implementation process. The web-site will be a useful tool in helping SAIs to find best practice and to identify issues in the standards that need to be followed up in the maintenance process. As of December 2011 a quarterly **Newsletter** is being posted on the web-site giving information on the ongoing activities in CAS and related projects.

The web-site will also be useful as a tool setting up a monitoring system to get feedback on issues to dwell on in maintenance review.

### **Maintenance of Compliance Audit Guidelines**

The ISSAI 4000 series were endorsed at INCOSAI in 2010, and a maintenance review has been set up with the frequency of 5 years to allow for a reasonable period of implementation of the guidelines the revising. To meet the deadline of the maintenance review in 2015, a working group will be established in 2013 to consider the amount of changes needed in the ISSAI 4000 series.

There are three main sources influencing the development and maintenance of the ISSAI 4000 series:

1. The work of the Harmonization Project  
The work of the project will contribute to the development of concepts, terminology and possibly contents of the Compliance Audit Guidelines. When the project is finalized in 2013, there will be issues for maintenance of the ISSAI 4000 series.
2. Professional development conducted by other standard setting bodies  
The secretariat will conduct the responsibility of following the development of other standard setting bodies.
3. Development projects within the Compliance Audit Subcommittee

The volume of changes in the maintenance process also depends on the needs for substantial changes identified during the implementation of the guidelines worldwide. In the process of developing the ISSAI 4000-series some issues were identified as important to look further into in. In line with this, all participating SAIs at the last meeting in CAS were invited to produce papers presenting national practices and raising methodological dilemmas choosing different issues;

- Materiality in the context of compliance auditing
- Pervasiveness in the context of compliance auditing
- Sampling
- Limited vs. reasonable assurance
- Need for application material
- Opinion – positive vs negative report
- How to set up a monitoring system
- Unlawful acts/fraud/corruption
- Prescription vs. liability

The papers will form the basis for a discussion of the further plan of maintenance and development at the next CAS meeting in Lithuania in September 2012.

A subgroup has been set up of looking into the possible need of an **ISSAI 4300** addressing specific Court of Account issues related to Compliance Audit.

## **E. Internal Control Standards Subcommittee**

### **Action Plan for 2010-2013**

The purpose of the Subcommittee in 2010-2013 is to carry out the following tasks (in accordance with the Subcommittee action plan):

- 1) Work out examples of internal control measures, for all internal control objectives and all control components;
- 2) Actively promote the INTOSAI GOVs developed by the Subcommittee;
- 3) Work on the integration of the internal control concept and risk management;
- 4) Develop a paper on reporting on internal control;
- 5) Develop the e-platform as a tool for supporting Subcommittee's work and a source of information on internal control.

### **Working meetings**

On 15 November 2011 in Warsaw, a meeting was held of the Coordinators of the action plan tasks (Austria, Lithuania, the Netherlands and Poland), in which representatives of the SAIs of Belgium, Georgia, Romania and the United States participated, as well as a representative of the Institute of Internal Auditors (The IIA). At the meeting, a discussion was held on the implementation of the tasks and a work schedule was drawn up for 2012.

On 24-25 April 2012 in Warsaw, an annual meeting of the Subcommittee was organised. It was aimed at exchanging information on the progress of the action plan implementation, and at discussing the surveys on risk management and internal control reporting in the public sector. The meeting gathered representatives of the SAIs of Austria, Belgium, Bangladesh, Brazil, Chile, France, Georgia, Hungary, Lithuania, the Netherlands, Oman, Romania, Russian Federation and South Africa, as well as representatives of COSO and The IIA.

### **Achievements to date:**

As for task 1 – Examples of good practices

SAIs of Austria and Poland presented examples of good practices in the area of internal control at the meeting in April 2012 (available from the Subcommittee e-platform).

As for task 2 – Promotion of INTOSAI GOVs

At the level of INTOSAI – According to the information available from the ISSAI website ([www.issai.org](http://www.issai.org)), in 2012 a revision of two ISSAIs is planned: ISSAI 1610 – [Using the Work of Internal Auditors](#), and ISSAI 1720 – [The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements](#), whose contents are closely connected to the activity of the Internal Control Standards Subcommittee. Subcommittee Chair intends to offer its participation in the revision process.

At the international level:

- **Cooperation with COSO.** A representative of COSO was invited to participate in the Subcommittee meeting in April 2012 and mutual cooperation between the two bodies

is being strengthened. Additionally, the Subcommittee Chair encouraged members of the PSC SC and the Subcommittee to present comments on the draft changes to the COSO 1992 Internal Control – Integrated Framework. The comments were collected by the Chair between February and April 2012, comprised and sent to COSO as an INTOSAI input.

- **Cooperation with The IIA.** A representative of The IIA actively participates in meetings and works of the Subcommittee. The President of the SAI of Poland, in his capacity as the Subcommittee Chairman, has been designated by the INTOSAI Governing Board to represent INTOSAI to the International Internal Audit Standards Board of The IIA (IIASB). The Subcommittee Chair has also volunteered to coordinate INTOSAI input into the survey on internal audit definition organised by The IIA. To do so, a survey has been distributed among PSC Members, to be analysed, comprised and forwarded to The IIA Global by the Subcommittee Chair. Participation in this worldwide initiative is an excellent opportunity to promote INTOSAI GOVs among a big group of stakeholders. Additionally, the SAI of Poland started cooperation with The IIA at the national level, its auditors have been invited to participate in the 10th Conference of The IIA Poland, and a seminar dedicated to cooperation between SAIs and internal auditors is to be organised in autumn 2012, these also being an opportunity to promote the Subcommittee and its documents.

As for task 3 – Integration of the internal control concept and risk management

A survey has been elaborated on risk management in the public sector, to be conducted in May – September 2012. The project is coordinated by the SAI of Austria. A report on the results of the survey should be ready by May 2013.

As for task 4 – Paper on reporting on internal control

A survey has been elaborated on reporting on internal control in the public sector, to be conducted in May – September 2012. The project is coordinated by the SAI of Lithuania. A report on the results of the survey should be ready by May 2013.

As for task 5 – Development the of e-platform

Works are in progress on extending the contents of the platform, coordinated by the SAI of the Netherlands. A digital manual is also to be developed to help INTOSAI Members use the platform. Steps have also been taken to transfer the data of the e-platform from the servers of the SAI of Belgium (former Subcommittee Chair) to a new host.

## **F. Accounting and Reporting Subcommittee**

### **Mandate of the Subcommittee on Accounting and Reporting**

- Observe and participate in the IFAC International Public Sector Accounting Standards Board's (IPSASB) public sector accounting standards setting activities;
- Prepare periodic reports for the INTOSAI membership about current and planned IFAC IPSASB activities;
- Facilitate information exchange and knowledge sharing among SAIs.

## **Update since last PSC Steering Committee meeting in June 2011**

- In its capacity as technical advisor of the IFAC-IPSASB, OAG Canada attended three meetings in Toronto, Canada (September 2011), Brasilia, Brazil (December 2011) and Düsseldorf, Germany (March 2012).
- The 2011-2013 Work Plan was presented and adopted at the 62<sup>nd</sup> INTOSAI Governing Board meeting in October 2011.

## **Progress against the 2011-2013 Work Plan**

- The Chair of the Subcommittee provided regular IPSASB updates to the INTOSAI membership through postings of IPSASB meeting updates (following each meeting) on the Subcommittee's webpage and links to studies/documents (including discussion papers and exposure drafts) issued by IPSASB on the Subcommittee's webpage and through e-mail notification.
- At its June 2011 meeting in New Zealand, the PSC Steering Committee approved the subcommittee's proposal that the document entitled "*The Importance of an Independent standard setting process*" be included as an INTOSAI GOV. The ISSAI.org web site currently notes that the final GOV numbering is pending.

## **Due Process for INTOSAI Professional Standards**

- In July 2011, the subcommittee issued for public exposure a proposal to withdraw INTOSAI GOVs in the 9200 series and replace with links to IPSAS. The Exposure Draft was issued INTOSAI-wide for three months to 31 October 2011. (The project proposal had been previously presented and approved by the PSC Steering Committee at its meeting in June 2011 in New Zealand).
- The document [presented under agenda item 12] provides a summary of the comments received on the Exposure Draft. As required by the Due Process procedures, these are presented to the Steering Committee for consideration. The Subcommittee seeks the approval of the Steering Committee to withdraw the referenced GOVs from [www.issai.org](http://www.issai.org) and refer their decision to the INTOSAI Governing Board for withdrawal and final endorsement by INCOSAI.

The full text of comments received from INTOSAI members on the Exposure Draft are posted on [www.issai.org](http://www.issai.org), including the Subcommittee's consideration for each comment.

## **G. Project on Transparency and Accountability**

### **I-Achievements of the ad-hoc working group**

#### **History**

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

A project group, chaired at the time by the SAI of Belgium, elaborated a discussion paper that was submitted to the PSC steering committee in Washington (2006). The chair of

the group was handed over to the SAI of France (Cour des comptes). The group consisted of the SAIs of Belgium, Canada, Denmark, France, Israel, Morocco, Portugal, South Africa and United States.

During its meeting in Mexico in 2006, the INTOSAI's Governing Board confirmed the mission of the ad-hoc working group on "Transparency and Accountability":

- to define principles that will help SAIs to be accountable of their activities, report on the impact of their audits and to satisfy to the same requirements that SAIs themselves strive to promote in public management.
- to identify and publicize good practices.

As a result, the Transparency and Accountability Working Group (TAWG) began launching the discussion and papers that would eventually become the ISSAI 20 (defining the concept of transparency and accountability), and ISSAI 21 (showing examples of best practices). The exposure drafts were presented at different stages including the comments received, to the PSC steering committee during its Beijing, Brasilia, and Copenhagen meetings and to related Governing Boards, in Vienna, Cap Town and Johannesburg. The INCOSAI Johannesburg adopted ISSAI 20 and ISSAI 21 in November 2011 and included them at level 2 of the Institution standards, the highest level after Lima Declaration on independence.

## **Achievements**

ISSAI 20 and 21 are now part of the whole set of INTOSAI standards, in the format of two documents. After their adoption, the last work of the TAWG was to translate the documents in the five INTOSAI official languages, which was carried out with the help of Germany, Bahrain, Spain and Morocco.

While ISSAI 21 is an example of the best practices amongst SAIs, the ISSAI 20 is a proposal geared towards transparency and accountability, and articulated around nine key principles:

1. SAIs perform their duties under a legal framework that provides for accountability and transparency
2. SAIs make their mandate, responsibilities, mission and strategy public
3. The SAI adopts audit standards, processes and methods that are objective and transparent
4. SAIs apply high standards of integrity and ethics for staff of all levels
5. SAIs ensure that these accountability and transparency principles are not compromised through outsourcing activities
6. The SAI manages its operations economically, efficiently, effectively and in accordance with laws and regulations and reports publicly on these matters
7. SAIs report publicly on the results of their audits and on their conclusions regarding overall government activities
8. SAIs communicate timely and widely on their activities and audit results through the media, websites and by other means

9. SAIs make use of external and independent advice to enhance the quality and credibility of their work

## **II. Future Tasks – input to Theme Discussion**

### **A. Project on Audit Quality Control**

The PSC has an ongoing role in a number of areas, including:

- ongoing maintenance of material within the ISSAI framework to ensure it remains relevant and appropriate guidance for SAIs;
- development of new material using the 'dual approach' to go into the ISSAI framework to complement existing guidance, including new material to go at level 3 of the ISSAI framework;
- completion of a consistency review of existing material at different levels of the ISSAI framework;
- continued support for ISSAI awareness raising activities within INTOSAI;
- liaising with and, where appropriate, influencing other standard setters.

### **B. Financial Audit Subcommittee (FAS)**

[Contribution will be forwarded shortly]

### **C. Performance Audit Subcommittee (PAS)**

#### **PSC achievements**

According to Strategic Goal 1, defined in the Intosai Strategic Plan, the purpose of the Professional Standards Committee (PSC) is to promote strong, independent and multidisciplinary SAIs and encourage good governance by providing and maintaining international standards of SAIs, and contributing to the development and adoption of appropriate and effective professional standards.

To accomplish this purpose, PSC has been working since 2004 on broad tasks and has been successful in concluding some of them: the establishment of the ISSAI framework; the establishment of the "Due Process"; and the approval of 37 new standards during the XX Intosai. Regardless of the conclusion of these major tasks, PSC did not deviate from its purpose defined by the Intosai Strategic Plan, nor decrease the pace of its efforts to achieve it.

#### **Establishment of the Due Process**

The writing of procedures through which Intosai standards can be created, modified or withdrawn is an important tool to guarantee the quality, background and maintenance of the standards. The document gives transparency to the processes related to the adoption, modification and withdrawal of an ISSAI and guarantees that every standard officially adopted by the Intosai went through a ritual of consultation and approval at different levels.

This brings confidence to the Intosai community and other interested parties in relation to the set of Intosai standards. In view of the relevance of the document, its production is one of the important PSC achievements.

### **The approval of 37 new standards**

In November of 2010, in Johannesburg, South Africa, the XX Incosai endorsed 35 ISSAIs and two Intosai GOVs approved by the Intosai Governing Board. This remarkable achievement was due to very good planning and management, a strong communication strategy among the Subcommittees and within Intosai in general, the adoption of the "dual approach", which allowed the creation of many financial standards, and the power to mobilize many key partners inside and outside Intosai.

With new standards recently created, PSC is working on the framework in which they are grouped in order to guarantee consistency and harmony among them (the ISSAIs Harmonization Project), as well as on the dissemination of the use of ISSAIs to the greatest number of SAIs possible (Awareness Raising Project).

### **Harmonization of the ISSAIs**

Despite the fact that the Harmonization Project is still in progress, some of the Project activities can already be considered important achievements. The work on level 3 of the ISSAI framework carried out by the Harmonization Project team, including the participation of the CAS, PAS and FAS, is a remarkably important task.

The new set of audit principles, presented in the general standards (ISSAI 100) and standards for financial (ISSAI 200), performance (ISSAI 300) and compliance (ISSAI 400) audits, was written with much care to consistency among the contents of the four ISSAIs, as well as consistency with level 4 of the framework. Each one of the subcommittees engaged in the process dedicated a lot of study and care to the standard of their responsibility, with the commitment of some of their experts and the involvement of all their members. To write the new ISSAIs, the subcommittees' experts considered the principles that support level 4 standards related to their respective audit areas and, at the same time, worked together within the Harmonization Project team focused on guaranteeing coherence of principles among ISSAIs 100, 200, 300 e 400 and.

The entire process of writing level 3 new standards is complex and is demanding a high level of cooperation and understanding. Notwithstanding, it will result very beneficial to the user SAI, that will find a set of high-level consistent and updated standards and guidelines to rely on.

### **ISSAI Awareness raising**

The ISSAI awareness raising is an ambitious, but necessary project that is being implemented by the PSC. The comprehensive task of disseminating the use of the ISSAIs will be fulfilled through stages that require an intense participation of different Intosai actors. Nevertheless, we may consider the stages already accomplished as decisive PSC achievements.

The first relevant accomplishment is the awareness about the existence of the ISSAIs among SAI Chairs and the SAI first level of management. As a result of a well guided PSC strategy, the ISSAIs are being discussed in several different forums around the world –

as, for example, will be the case during the Olacefs General Assembly, in November of 2012 – and this has the desired effect of multiplying the knowledge about ISSAIs within the SAIs. Of course, this is only one step for the implementation of ISSAIs, but should be welcomed as an important PSC achievement, despite all the effort and work required for the full implementation.

## **Key focus for the next years**

### **ISSAI Awareness raising**

The ISSAI awareness raising project is the natural continuation of the process of creating and approving new standards, i.e., after making the new ISSAIs available to all the Intosai community, the dissemination of the documents and promotion of their use were the consequent steps to be taken. PSC established a strategy to promote awareness raising and a task force to enforce this strategy, with the purpose of encouraging and assisting Intosai members in the implementation of ISSAIs. By doing this, PSC is approaching the fulfillment of its mandate.

PSC has been working to open a range of possibilities to all SAIs: consult and use the ISSAI framework as a reliable reference for public sector; measure their own standards and performance against the ISSAIs and Intosai Govs; adapt the implementation of ISSAIs and Intosai GOVs to their national legislation and the SAI mandate; exchange knowledge and experiences on audit with other SAIs having a set of common standards as reference and a contact point.

The universalization of knowledge about the ISSAIs within the Intosai community as a common tool to ensure audit quality and effectiveness as well as their effective use by governmental auditors over the world are probably the most important goals for the future and each stage reached in this direction shall be considered an important PSC achievement.

Nevertheless, there are still some challenges to overcome in the path of ISSAI adoption and implementation. Before considering some major hindrances that the awareness raising process will certainly face, it is important to note that the PSC Subcommittees are not yet involved in this process as desired. As much of their focus on the development of ISSAIs – lately ISSAIs 100, 200, 300 and 400 – they have not been collaborating in the awareness raising project as much as they could. For example, they have not been offering their knowledge of the SAI community with regard to their field of audit nor have they been making proposals concerning strategies and actions. This is a subject to be addressed by the PSC.

One important issue to consider in the awareness raising process is that, although most SAI top managers have already received the message that ISSAIs are the best way to reach a better audit quality and effectiveness, we can conclude, based on our discussions of this issue until now, that it is not clear to them which are the real challenges in terms of implementing ISSAIs.

There are some issues embedded in the “full ISSAI implementation” that are not clear until one manages to fully understand the nature, scope and content of the overall ISSAI structure. One good example could be understanding what assurance engagement means and what are the requirements to upgrade from limited to full assurance. Once that is understood, then comes the challenge of designing a capacity building strategy given the constraints a SAI is subject to.



Most probably, very few SAI top managers at a situation to make decisions towards taking the very first steps along the implementation path have a clear perspective of the challenges and of the best strategies to overcome them. This is a concrete conclusion reached by the Olacefs (Latin American Intosai regional group) Capacity Building Committee. Based on this perception, this Committee has decided to propose to the PSC the joint development of training material and guidance to present such challenges to SAI top managers with more detail than what is available in the existing presentations.

It will be extremely important to envisage how initiatives being jointly taken by the PSC, the CBC and the IDI, directly designed to address the discussed goal, such as the ISSAI Implementation Initiative - 3i Programme, will be articulated with SAIs or regional needs assessment. Such assessments might be carried out by particular SAIs themselves, through an Intosai Region initiative or through an initiative for the whole Intosai, like the Intosai Performance Measurement Framework (PMF), a measurement tool that is still being developed.

The SAI PMF is an important endeavor within the Intosai community that will help the PSC and its partners by developing a common framework. This proposed framework is being designed to evaluate SAI performance in six different dimensions, being its core the evaluation of audit methodologies used. All the evaluation will be done having the ISSAIs as a golden standard.

Alliances not only among the Intosai committees, but also with the regional groups and even with some stakeholders outside the SAI community, such as donors, the academia and other international institutions that support governance in their missions (like the OECD, for example) will be crucial to achieve the goal of having the ISSAIs effectively implemented and used by governmental auditors all over the world.

In other words, promoting knowledge sharing among SAIs worldwide with the purpose of making the implementation of the ISSAIs easier and disseminating good practices on public auditing will be a challenge for the PSC and all other allies in the coming years. That will certainly pose a demand for increased capacity building initiatives and for creation of new approaches to effectively encourage SAIs to engage in the "implementation path".

### **Monitoring and updating the ISSAI framework**

As part of the steps to fulfill its mandate, PSC will have to complement the process of revising the ISSAI framework and disseminating the implementation of ISSAIs and Intosai GOVs through their continuous monitoring and updating. A permanent monitoring of new demands and needs within the Intosai community for the creation of different standards and modification of the existing ones, as well as their periodical update, will be one of PSC's important missions in the following years. If the monitoring is not carried out properly in the years to come, the trust and confidence in the ISSAI framework may be jeopardized and the use of the standards gradually abandoned.

In regard to this mission, however, PSC must consider that new demands and needs related to Intosai standards will arise only if there is a significant number of SAIs using ISSAIs. Only in this circumstance – ISSAIs widely used – will the PSC have enough opin-

ions, feedbacks, criticisms and demands to allow the necessary process of revising the ISSAI framework to be successfully performed.

## **D. Compliance Audit Subcommittee (CAS)**

### **Major achievements of the PSC so far and tasks/challenges lying ahead**

#### *Agreement on what constitutes a good audit*

Debt problems in the public sector worldwide have shown us that all countries are dependent of each other to obtain effective solutions. We see that the answers cannot be found in the individual national state, but requires a coordinated effort by several countries. This also applies for the audit society. We must come to global agreement on what constitutes good financial management and effective financial control. It must also be a global consensus on what constitutes a good audit.

This is the most important contribution PSCs: We have obtained a global consensus on what constitutes best practice in public sector auditing. The cooperation with IFAC and IIA also mean that auditors in the private and public sectors now work with the same standards where applicable. PSC has thus laid the foundation for a global consensus on best practices in auditing. PSC has risen public sector auditing from a national concern to a global profession.

#### *PSC has established INTOSAI as an important standard setter*

PSC has established INTOSAI as a recognized standard setter. INTOSAI has got a name in the international audit society in line with IFAC and IIA. It has been recognized globally that public sector auditing has a broader mandate than in the private sector. In areas where public auditing has special needs, it furthermore has been recognized that INTO-SAI must define the terms. INTOSAI must set standards when it comes to practice notes, compliance audit and performance audit. Establishment of the four levels of the ISSAI framework also gives a complete overview of the requirements concerning the environment, the management and the execution of audit in the public sector. The framework thereby increases the importance of each individual standard.

#### *New ways of working within the INTOSAI*

PSC has developed new and more effective work methods for achieving ambitious goals. Requirements for work processes and technical quality of standards have been developed. It has been developed more professional and transparent practices concerning consultation, exposure and treatment of comments. INTOSAI has developed flexible partnership arrangements with other standard setters, and mutual trust and respect have been developed. Each subcommittee has found creative solutions. The FAS has e.g. created a network of around 100 experts to ensure high quality of the practice notes. The CAS has established a group of Courts to clarify particular requirements associated with compliance audit in this type of organizations.

#### *Forward - mechanisms to monitor progress*

In the future it must establish a system for monitoring the implementation of the new standards. The goal must be that all SAIs in the world adopt the ISSAIs and start the process of implementation. It is important that the highly developed SAIs should lead by

example and act as ambassadors for the new standards. We need a good system for monitoring the status, to understand what the challenges are and where we should take action.

#### *In the future - skills and capacity building*

We must establish effective mechanisms that can support the SAIs in building capacity and competence in implementing and using the international standards. Key players will be the IDI, the international donor community and INTOSAI's regional bodies. There must be a central co-ordination of strategy, execution and reporting back to ensure that efforts are targeted, coordinated and effective.

#### *Forward - permanent organization of the work to maintain standards*

One of the biggest challenges for INTOSAI is to establish a permanent organization to be able to maintain and develop the standards further. One premise for being credible as a standard setter is that all standards are based on the same structure and definitions and are consistent both horizontally and vertically. This still requires a large investment, and INTOSAI have to find permanent organizational solution in line with other standards setters, e.g. IFAC and IIA.

## **E. Internal Control Standards Subcommittee**

### **Achievements of the PSC**

- ISSAI Website ([www.issai.org](http://www.issai.org))
- The website is a valuable tool for communication and promotion of the PSC's activity. The layout of the website is convenient, and its contents provide useful information on the PSC's objectives and results of its work.
- ISSAI Harmonisation Project
- The standards are presented in a logical and ordered manner, still their number is relatively big and therefore calls for an analysis of their mutual relations. The harmonisation process should improve the clarity and access to required information. A large number of standards elaborated by various subcommittees poses a risk that similar notions and issues are understood in a different way. Therefore revision and harmonisation of standards at various levels seems an important matter.
- Awareness Raising Process
- Although ISSAIs and INTOSAI GOVs are elaborated by audit experts, there is a need to constantly raise awareness of their existence and knowledge thereof.
- Adoption and Revision of Standards
- The PSC has developed a transparent process for elaborating standards that allows wide circles to get acquainted with draft documents, as well to present comments on them. The process is clear and accessible.
- Access to Standards
- Standards developed by the PSC are commonly available due to their translations into the INTOSAI official languages.

### **Challenges of the PSC**

- To continue the harmonisation and awareness raising processes, both among the INTOSAI community and at its regional structures level – AFROSAI, ARABOSAI,

ASOSAI, CAROSAI, EUROSAI, OLACEF, PASAI, and to encourage supreme audit institutions to popularise standards among their employees.

- To analyse opportunities for introducing educational programmes for employees of supreme audit institutions on the knowledge of INTOSAI standards, for example in the form of an interactive educational platform, methodology guides, etc.
- To strengthen cooperation with global organisations and associations that represent or gather internal auditors, chartered accountants, managing directors, etc. (such as, for example, COSO, IFAC, The IIA).
- To undertake initiatives aimed at encouraging national audit institutions to translate ISSAIs and INTOSAI GOVs into their national languages.

## **F. Accounting and Reporting Subcommittee**

### **Major achievements of the PSC**

#### 1. Harmonization project

- Recognition that the four-level framework with a comprehensive set of ISSAIs and INTOSAI GOVs need to be reviewed and revised for consistency
- Improvements to ISSAIs 100-400
- Completion of ISSAI 40 - overall code for quality control within SAIs

#### 2. Raising Awareness of ISSAIs and INTOSAI GOVs

- Key messages decided upon
- Key target groups identified
- Communication material prepared and issued
- Impacts measured

#### 3. Development and Maintenance of ISSAIs and INTOSAI GOVs

- Solid body of ISSAIs has been developed.
- INTOSAI provided with access to member of IAASB (FAS Chair) and IPSASB (Accounting and Reporting Subcommittee Chair) for information on activities of these Boards and opportunity to provide input through these members.
- Development of the Due Process for INTOSAI Professional Standards establishing a common, universal and transparent process to be followed when developing, revising and/or withdrawing ISSAIs.

### **Key focus areas from 2013 onwards**

- Work with other standard setting bodies to coordinate establishment and maintenance of INTOSAI standards and guidance that complement rather than overlap those of other bodies.
- Complete Harmonization Project
- Complete ISSAI 40 guidance currently in progress - gap analysis tool and guidance on addressing gaps identified
- Continue to increase awareness of ISSAIs and INTOSAI GOVs.

- Encourage SAIs to adopt independent auditing standards, not only ISSAIs but also those established by IAASB.
- Encourage SAIs to promote the use of independent accounting standards, such as IPSAS, by governments.
- Increase focus on the development of INTOSAI Standards for Performance Audit.
- Explore avenues to provide increased SAI input to international accounting standards for both the commercial sector (IAASB) and public sector (IPSASB) through the FAS and Accounting and Reporting Subcommittee Chairs.
- Increase INTOSAI capacity to provide support and guidance to SAIs in implementing audit and assurance standards

## **G. Project on Transparency and Accountability**

### **Possible future tasks**

With its underlying goal now complete, the question of the future of the working group as an independent committee is now open. The structure of INTOSAI and its integration within the Professional Standards Committee allows for an easy dissolution of the TAWG.

Since the last INCOSAI, the Value and Benefits Working Group has set up a project team chaired by the SAI of New Zealand to develop ISSAI 2 based on the Value and Benefits retained by Johannesburg INTOSAI. It is expected that ISSAI 2 includes the principle about Transparency and Accountability as adopted by ISSAI 20.

Therefore the mandate of France chaired working group on Transparency and Accountability needs to be reviewed. Three main issues should be discussed during the PSC steering committee:

- A. Further work expected for ISSAI 20. Our understanding is that that ISSAI 2 developed by the Value and Benefits Working Group in the perspective of 2013 INCOSAI will include the principles about Transparency and Accountability as adopted by ISSAI 20. This would mean that no more work is expected from TAWG as regards ISSAI 20. Therefore we do not propose for the working group to officially meet with respect to this issue. We would need that this understanding be confirmed.
- B. Possible dissolution of the TAWG. ISSAI 20 and 21 being completed, the options would be (a) either to dissolve the ad-hoc working group, (b) or reviving the group based on a mandate limited to the best practices as declined in ISSAI 21 in order to take stock of new practices that might have emerged in the past two or three years. However PSC should confirm the opportunity to reactivate the TAWG for ISSAI 21 maintenance.
- C. Maintenance process of ISSAI 21. In case the TAWG would be reopened on a mandate limited to maintenance of ISSAI 21 by collecting new best practices, it should be discussed the following points :
  1. Would this option be in line with the PSC orientation to limit the number of working groups and to dedicate efforts on a better implementation of existing standards?

2. Could this option be considered as following the previous mandate of the TAWG or on the contrary would it require a formal endorsement and approval from the INTOSAI Governing Body and INCOSAI?
3. Would maintenance have to comply with the due process to be followed when developing, revising and withdrawing ISSAIs ? In such a case this option would make necessary to transform the TAWG in a permanent group, able to collect best practices in a continuous process, and an enlargement of the working group would be useful to capture more best practices from colleagues. Is this really the intention or is there another INTOSAI mechanism that could periodically update INTOSAI references to good practices?