

## **PSC Subcommittee on Internal Control Standards – Progress Report**

### **PSC SC Meeting, Ottawa, 27-29 May 2015**

(May 2015)

#### **Members**

28 SAIs: Austria, Bahamas, Bangladesh, Belgium, Bolivia, Brazil, Chile, Cook Islands, Costa Rica, Cuba, Egypt, El Salvador, France, Georgia, Hungary, Jamaica, Libya, Lithuania, the Netherlands, Oman, Poland (Chair), Romania, Russian Federation, South Africa, Spain, Tanzania, Ukraine, United States of America + one observer: the Institute of Internal Auditors (The IIA).

#### **Subcommittee Meeting in 2014**

The latest meeting of the Subcommittee took place on 27-28 May 2014 in Vilnius, Lithuania. In the meeting, 26 persons participated from 12 SAIs – members of the Subcommittee, as well as representatives of the Subcommittee's partners: the ministries of finance of Lithuania and Poland, the Organisation for the Economic Cooperation and Development (OECD), the International Federation of Accountants (IFAC) and other subcommittees of the INTOSAI Professional Standards Committee (FAS, CAS and PAS) that presented their current activities and future plans. Other topics discussed included good practices in the application of INTOSAI GOVs, and possible ways in which SAIs can influence good governance in the public administration. The meeting also focused on the discussion on the Subcommittee's work plan for the years 2014-2016.

#### **Revision of INTOSAI GOV 9110 and INTOSAI GOV 9130**

At the meeting in May 2014, and in the correspondence that followed, the Subcommittee decided that – in accordance with the Subcommittee work plan 2014-2016 – the revisions of INTOSAI GOV 9110 and INTOSAI GOV 9130 would start in 2014. The drafts of the revised documents were planned to be ready by autumn 2015, and discussed at the next Subcommittee meeting scheduled for September 2015. It was also planned to start initial assessments of the need to revise the remaining four documents whose maintenance lies with the Subcommittee, namely INTOSAI GOVs 9100, 9120, 9140 and 9150. Teams were established to deal with these assessments.

In November 2014 in Warsaw, there was a meeting of the team tasked within the Subcommittee to conduct the revision of INTOSAI GOV 9130, composed of the SAI of Austria, France, Poland and Romania (team leader). The team discussed the details of the planned revision of the document. The team members also concluded that the list of risks typical for the government sector comprised in the present INTOSAI GOV 9130 (Figure 1, p. 14) should be expanded. The Subcommittee members have been asked to comment on the list of typical risks developed by the team and to provide examples from their SAIs' reports. These will be discussed at the next Subcommittee meeting, and later used in the works related to the revision.

In November 2014, project proposals for the revisions of INTOSAI GOVs 9110 and 9130 were developed and forwarded in early December 2014 to the PSC Steering Committee members for approval via written procedure. In response, several PSC SC members presented their comments which show that there is confusion as for the objective of INTOSAI GOVs and as for their addressee. Therefore further discussion and deliberation were deemed necessary, prior to revising the two documents. There were also opinions that a revision of INTOSAI GOV 9100 (the core document for the series of guidance on internal controls) should be conducted prior to or simultaneously with the revision of INTOSAI GOV 9110. Additionally, COSO *Enterprise Risk Management – Integrated Framework*, on which INTOSAI GOV 9130 is based, is being updated, which makes an argument for postponing the revision of INTOSAI GOV 9130. If the revised version of INTOSAI GOV 9130 is still to refer to COSO ERM, it seems reasonable to wait for the results of the update. Importantly, the postponement of the revisions of INTOSAI GOV 9110 and INTOSAI GOV 9130 will not disturb the maintenance frequency of INTOSAI standards and guidance, which foresees the review of the whole INTOSAI GOV 9100-series for 2016.

In early February 2015, the Subcommittee Chair presented the Subcommittee members with a proposal to postpone the revisions of both INTOSAI GOV 9110 and INTOSAI GOV 9130 until the next Congress perspective (for approval by INCOSAI in 2019), and with the amended version of the work plan for 2014-2016. Both the proposal to postpone the revisions and the amended work plan have been approved by the Subcommittee members.

#### **Subcommittee’s Amended Work Plan for 2014-2016**

The Subcommittee work plan after the amendments of February 2015 is as follows:

- 1) Develop a project proposal for the revision of INTOSAI GOV 9100.
- 2) Develop a project proposal for the revision of INTOSAI GOV 9110 on internal control reporting, on the basis of the results of the survey conducted in 2012, and consistent with the changes proposed to INTOSAI GOV 9100.
- 3) Develop a project proposal for the revision of INTOSAI GOV 9130 on risk management, on the basis of the results of the survey conducted in 2012, and consistent with the changes proposed to INTOSAI GOV 9100.
- 4) Examine INTOSAI GOVs 9120, 9140 and 9150 and present proposals on their revision in the following years.
- 5) Promote the INTOSAI GOVs on internal control (9100-9150).
- 6) Develop the Subcommittee e-platform.

Details of the implementation of the work plan will be discussed and agreed via correspondence and at the upcoming Subcommittee meeting in September 2015. At this meeting, a discussion will be also held on possible ways to conduct an initial assessment of the need to revise INTOSAI GOVs 9120,9140 and 9150, scheduled for 2015-2016 (by the Subcommittee meeting in 2016).

### **Other Activities 2014-2015**

In spring 2014, the Subcommittee chair was asked by the PSC Chair to present an opinion and suggestions on the future of INTOSAI's standard setting processes. Several Subcommittee members presented their opinions, later comprised into one joint paper, and sent to the PSC Chair. These opinions contributed to the meeting held in Copenhagen in April 2014, dedicated especially to the standard-setting issue, in which the Subcommittee Chair participated.

The issue of standard-setting within INTOSAI was also one of the main topics discussed at the latest meeting of the PSC Steering Committee in May 2014 in Bahrain. The Subcommittee Chair took part in the meeting, contributed to the discussions related to standard-setting and presented the Subcommittee's work plan for 2014-2016. These were reported on to the Subcommittee members that participated in the Subcommittee meeting in late May 2015, referred to above.

In September 2014, the Subcommittee provided, on behalf of INTOSAI, an input to the strategic document of the Institute of Internal Auditors – The IIA. Subcommittee members responded to the questions on the top three obstacles/opportunities and the top three priorities for the internal auditing profession in the following five years, and their answers were forwarded to The IIA. Moreover, in autumn 2014 Subcommittee members participated in the comment process on the exposure draft of the Proposed Enhancements to The IIA's International Professional Practices Framework (IPPF) via an online survey available from The IIA's website.

Within cooperation between INTOSAI and The IIA, the Subcommittee is represented to the International Internal Audit Standards Board of The IIA (IIASB). In 2014, the Subcommittee representative participated in two IIASB meetings in July and in December. Within the works of the IIASB, the Subcommittee representative is at present involved in several projects, such as enhancing standards conformance (a white paper comprising also ways to measure conformance with the standards), reassessment of standards related to quality assurance review, and evaluation of ways to increase stakeholder involvement in activities and results of the IIASB, to be concluded with a whitepaper with recommendations.

### **Next meeting**

The next Subcommittee meeting has been scheduled for September 2015. It is to comprise a workshop part related to risk management, and a discussion on the implementation of the amended work plan.