



Comments on the INTOSAI PSC's Draft report on evaluation and recommendations to improve INTOSAI's standard setting

18 August 2014

1. General comments

- EUROSAI Goal Team 2 (GT2) considers chapters 2.1 and 2.2 a thorough and extensive evaluation of the current situation of INTOSAI's standard setting.
- GT2 thinks, however, that **some challenges have not been addressed**:
 - a) The **future technical focus of the ISSAI**, e.g.:
 - Should INTOSAI focus on Performance and Compliance Audit as these are a unique feature of public sector audit?
 - Should INTOSAI strive to develop Financial Audit Standards that are tailored even more to the needs of external financial control?
 - b) The **needs of the Goal 2 and Goal 3 Working Groups**: Would they prefer a more flexible kind of framework, where documents can (not necessarily as ISSAI) more easily be published or revised?
 - c) The **demands of those SAIs that are** – for whichever reasons – rather **passive members of the INTOSAI community**.
- GT2 found the **timing for the request of input from the EUROSAI regions suboptimal** as it was sent out of the beginning of July, asking for comments until 19 August, both of it being within the traditional summer break. GT2 also wondered why the request was channelled through the regions and not sent directly to all members of INTOSAI.
- GT2 strongly recommends sending the concrete proposals on the organisation, composition and rules of procedure for each envisaged body to **all INTOSAI members for consultation** before submission to approval.
- GT2 believes that the **credibility of SAIs depends not exclusively on the ISSAI**, but also on other issues such as institutional capacity, professional knowledge and the experience of auditors.
- Therefore, GT2 strongly recommends **closely linking** the proposed reorganisation of INTOSAI's standard setting **with the ongoing development of the 3rd INTOSAI Strategic Plan**.

2. Comments on the evaluation and recommendations

- GT2 considers standard setting for SAIs and their auditors, as well as possible public sector auditing certification schemes, to be **INTOSAI initiatives and activities**.
- Therefore, GT2 **agrees with Scenario 3** as described in the draft report. GT2 wonders, however, if some elements from other scenarios, e.g. the coordination by strong(er) chairs suggested in scenario 1, could also be included in this scenario.
- GT2 totally **disagrees with Scenarios 4 and 5**, as it considers INCOSAI endorsement of standards absolutely necessary regarding the credibility of the standards.
- GT2 generally **agrees with the six recommendations** included in the draft report. GT2 has, however, some reservations concerning single issues of the recommendations:
 - a) **Permanent committee for professional matters** (Recommendation 1)
 - In 2011, EUROSAI has established a new organisational structure to support the implementation of the Strategic Plan. With Goal Team 4 "Governance and

Communication” it has created a body which, amongst other tasks, monitors the performance of the technical Goal Teams and Working Groups and tackles cross-cutting issues. The chairs of the three technical Goal Teams are ex-officio members of this Goal Team 4. After three years of working within this structure, GT2 considers this set-up as highly efficient and very practical and supports the similar set-up of the proposed INTOSAI Committee for professional matters.

- GT2 repeats, however, its recommendation to closely link this discussion with the ongoing development of the 3rd INTOSAI Strategic Plan.
- GT2 recommends, when selecting the members of this committee, to keep in mind that there should be a balanced expertise for performance, compliance and financial auditing.

b) Separate advisory board (Recommendation 3)

- On one hand, GT2 agrees to separate out external observers of the PSC and no longer include them in regular meetings. GT 2 also agrees that they may play an advisory role and that the representation of external stakeholders may be extended.
- On the other hand, GT2 wonders why they should be organised in a formal board (not least against the background of financing possible meetings and travel costs of the board members). GT2 thinks that an advisory role should be established in a more flexible way, to be used as needed and according to the field of expertise of each player.

c) Common supporting functions (Recommendation 5)

- GT2 thinks that the tasks of these functions should be defined more clearly (organisational rather than technical).

d) Long-term development goals (Recommendation 6)

- GT2 recommends to re-number and re-formulate the development goals as follows:

1. *The ISSAIs add value to the public sector* (the ISSAIs themselves, not the fact that they are widely recognized – on the other hand, high-quality audits can also be performed without the ISSAI).
2. *The ISSAIs contribute to the building of a professional framework for public sector auditing, such as education and certification of elements of the profession* (again, high-quality audits can also be performed without the ISSAI; on the other hand, an auditor who is a certified ISSAI expert is not automatically a good auditor).
3. *INTOSAI standard setting activities are supported by a suitable organisational framework, that meets the requirements and contributes to fulfilling the needs of SAIs* (SAIs and their needs should always be the focus of INTOSAI, not the requirements of whichever body).

- Last, but not least, GT2 wonders why the issue of ISSAI implementation (chapter 2.2, challenge 9) is not addressed in the recommendations. Given the importance of promoting the application of the INTOSAI standards, GT2 **recommends to include the implementation of ISSAI in the PSC’s recommendations** to improve standard setting in close cooperation with the INTOSAI regions, IDI and other INTOSAI bodies.