International Standards of Supreme Audit Institutions – INTOSAI's framework of Professional Standards

Foreword

The INTOSAI framework of Professional Standards and Guidelines.

The framework is to provide a clear overview and easy access to INTOSAI's standards and guidelines to the benefit of INTOSAI's members. In line with INTOSAI's Strategic Plan, the framework should provide greater focus and attention on professional standards and raise the profile and status of INTOSAI's standard-setting process – also within the broader accountability community.

The proposed framework was developed by the PSC Steering Committee during its meetings in Oslo, Norway, in October 2005, in Washington, USA, in May 2006 and in Yaoundé, Cameroun, in September 2006. The proposal was decided on by INTOSAI's Governing Board in November 2006 and an exposure draft was sent to all members of INTOSAI. In the light of the many supportive comments received, the PSC Steering Committee has decided at its meeting in Manama, Bahrain, in April 2007 to forward its proposal for endorsement at the XIX INCOSAI in Mexico in November 2007.

The framework presented in this paper is thus the result of the joint efforts of the members of the PSC Steering Committee, which includes the SAIs of: Bahrain, Belgium, Brazil, Cameroon, Canada, China, Denmark, France, Italy, Morocco, New Zealand, Norway, Portugal, Sweden and USA.

I would like to thank all the member SAIs of the PSC Steering Committee and all other SAIs that have contributed to our work for their dedication and cooperation. I would like to direct a special thank to the PSC Goal Liaison – the SAI of Portugal – for the continuous support and cooperativeness. A special recognition to the SAIs of Austria, Belgium, Brazil and Bahrain, who took on the responsibility of performing translation tasks.

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Introduction

With the Strategic Plan 2005-2010 INTOSAI made it an ambition under Goal 1 to provide an up-to-date framework of professional standards that are relevant for its members. The Professional Standards Committee (PSC) therefore decided to merge all existing and new INTOSAI standards and guidelines into one common framework under the name **International Standards of Supreme Auditing Institutions (ISSAI)**. All standards and guidelines will be available on **www.issai.org** and will be numbered in accordance with a set of classification principles.

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 decision by INCOSAI to introduce the framework does not affect the content of the already existing documents. As SAIs are national authorities it is the responsibility of each SAI to decide on the implementation of the ISSAIs on basis of the SAI's legal mandate.

The common framework of INTOSAI's standards and guidelines

The framework with all documents contained is available at www. issai.org. The framework follows these principles:

- The framework comprises all documents endorsed by INCOSAI with the purpose of guiding the professional standards used by SAIs. The documents are listed in **a systematic number system.**

- The name **International Standards of Supreme Audit Institutions (ISSAI)** is used as the common name to the body of documents concerning the responsibilities of SAIs. Each document will thus get an **ISSAI-number.**

- The name **INTOSAI Guidance on Good Governance (INTOSAI GOV)** is used for documents issued by INTOSAI concerning guidance to the administrative authorities, e.g. on internal controls and accounting. Such documents get a 4-digit **INTOSAI GOV-number.**

- **The framework emphasizes the hierarchical relationship between the documents**. The number of digits in the ISSAI-number indicates the document's level in the hierarchy.

The hierarchy of INTOSAI documents

As emphasized in the preamble to the INTOSAI Code of Ethics and Auditing Standards endorsed by INCOSAI in 2004, the INTOSAI documents form a four-tier hierarchy:

- **Level 1:** The Lima Declaration
- **Level 2:** The INTOSAI Code of Ethics.
- **Level 3:** The INTOSAI Auditing Standards which contain the basic assumptions and principles for carrying out the audit work.
- **Level 4:** INTOSAI Implementation Guidelines which contain more specific guidance material on different subjects.

In the new ISSAI framework the four levels will be developed along the following lines:

Level 1: Founding Principles. This level contains the founding principles of INTOSAI. These are found in the Lima Declaration.

Level 2: Prerequisites for the Functioning of Supreme Audit Institutions. Based on the founding principles, the documents on this level develop further on the basic prerequisites of the proper functioning and professional conduct of SAIs. These documents contain general statements and principles on a high level and should not be changed very often. PSC will propose a new Mexico Declaration on Independence at the XIX INCOSAI and is planning to develop principles on transparency and accountability to be endorsed by the XX INCOSAI in 2010. The existing Code of Ethics and a future document on audit quality are also referred to this level.

Level 3: Fundamental Auditing Principles. Documents on this level are based on level 1 and 2 and contain the fundamental principles for carrying out audits of public entities. Whereas institutional issues will be regulated by the documents on level 2, the documents on level 3 concern issues related to the process of carrying through an audit. The Fundamental Auditing Principles presently consist of the INTOSAI Auditing Standards, which contain the following chapters:

1. *Basic principles in government auditing* contain the audit assumptions/general principles.
2. *General Standards in government auditing* contain qualification requirements, independence, conflicts of interest, competence and due care etc.
3. *Field Standards in government auditing* contain more detailed guidance on for instance planning, evidence, analysis of financial statements, internal control.
4. *Reporting Standards in government auditing* contain financial audit reporting (the audit opinion), regularity and performance audit remarks and reporting.

To underline the importance of these standards and allow for flexibility in the future development, each of the 4 chapters is given its own ISSAI-number, and the items within the chapters are being renumbered accordingly.

Level 4: Auditing Guidelines: Documents on this level translate the fundamental auditing principles into more specific, detailed and operational guidelines that can be used on a daily basis for auditing tasks.

Level 4 will include implementation guidelines for financial audit, performance audit and compliance audit.

Implementation guidelines for financial audit are being developed by PSC's Subcommittee on Financial Audit Guidelines (FAS). These guidelines concern audit of financial statements and are based on the International Standards of Auditing (ISA's) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). An INTOSAI guideline on financial auditing will consist of an ISA issued by IAASB together with an INTOSAI Practice Note outlining the modifications and further elaborations that need to be considered in public auditing. The ISSAI-number contains a reference to the ISA-number. The document ISSAI 1240 will for example designate the combined document consisting of ISA 240 together with the INTOSAI Practice Note.

Implementation guidelines for performance audit have been endorsed by the INTOSAI Congress 2004 in Hungary. PSC Subcommittee on Performance Audit, chaired by Brazil, will consider if supplementary guidance on performance audit is to be developed.

At the XIX INCOSAI in 2007 PSC is also proposing a set of implementation guidelines on Compliance Audit. These have been developed by the PSC Compliance Audit Subcommittee and will be supplemented with further guidelines in the years to come.

Level 4 also contains guidelines and supplementary material on specific subjects, e.g. audit of privatisation, public debt, environmental matters and international institutions. Many such guidelines have already been developed and endorsed by the INCOSAI. Future documents produced under Goal 3 of the Strategic Plan and falling within the scope of the framework will also be included under level 4.

INTOSAI Guidance for Good Governance (INTOSAI GOV)

The scope of INTOSAI's professional standards is not limited to standards and guidance on audit. INTOSAI is also a valuable source of guidance to the benefit of government management on internal control and accounting. These documents do not originate from the INTOSAI Auditing Standards but belong to the collection of INTOSAI guidance material and are as such included in the framework. To emphasise the importance and distinctive nature of this category of documents, they are named INTOSAI Guidance for Good Governance and the acronym INTOSAI GOV is used. The numbers 9000-9999 are reserved for these documents.

Classification principles for International Standards of Supreme Audit Institutions (ISSAI)

INTOSAI's Professional Standards Committee will decide on the appropriate classification of documents in accordance with the following principles:

1. The International Standards of Supreme Audit Institutions (ISSAI) consist of all documents endorsed by INCOSAI with the purpose of guiding the professional standards of SAIs. This includes recommendations on the legal, organisational and professional prerequisites as well as on the conduct of the auditing and any other tasks with which SAIs may be entrusted. Where appropriate ISSAI-documents may include examples or descriptions of good practices.

2. Each document is given a 1-4 digit ISSAI-number. The number of digits indicates the hierarchical level of the document, i.e.:

   Level 1: Founding Principles – contains the founding principles of INTOSAI. The Lima Declaration.

   Level 2: Prerequisites for the Functioning of Supreme Audit Institutions – state and explain the basic prerequisites for the proper functioning and professional conduct of SAIs.

   Level 3: Fundamental Auditing Principles – contain the fundamental principles in carrying out auditing of public entities.

   Level 4: Auditing Guidelines – translate the fundamental auditing principles into more specific, detailed and operational guidelines that can be used on a daily basis for auditing tasks.

3. Preambles or introductory remarks to the original proposals to INTOSAI are not considered part of the ISSAIs at level 2, 3 and 4, unless the text contained serves a purpose in guiding the professional standards of SAIs. The information contained in such preambles and introductory remarks will be published at www.issai.org as additional information in connection with the ISSAI-document.

4. Document numbers dividable by 1000 (or 100 or 10) are preferably given to documents of a general scope while the subsequent numbers x001-x999 (or xx01-xx99 or xxx1-xxx9) are used for documents on more specific subjects within the same general theme.

5. The numbers from 1000-9999 are reserved for level 4 (implementation guidelines) and segmented into clusters reserved for different subject areas. The subcommittees of PSC and working groups of Goal 3 are responsible for maintaining the classification within their subject area.

6. When convenient, a reference to specific items (or sections and subsections) within an ISSAI-document can be made by adding the number of the item to the ISSAI-number with a slash '/'. (E.g. ISSAI 3000/5.4 refers to item 5.4 in ISSAI 3000).

7. For documents that have their origin in an ISA (or ISQC) from IFAC/IAASB the last 3 digits of the ISSAI-number are identical with the ISA-number (or ISQC-number). The ISSAI-number designates the ISA with the modifications and supplementary guidance contained in the Practice Note. The items in the Practice Notes are numbered P1, P2, P3…etc. to avoid confusion with item numbers in the ISA.

8. When convenient, an ISSAI document may contain an annex containing further elaborations related to the statements of the main document. Items in the annex should be numbered A1, A2, A3... etc. to avoid confusion with item numbers in the main document.

   It should be emphasized that all existing INTOSAI documents will be included in the framework.

INTOSAI Guidance for Good Governance (INTOSAI GOV):

9. INTOSAI Guidance for Good Governance comprises documents endorsed by INCOSAI and contains guidance on internal control, accounting standards and other matters within the administrative sphere of responsibility. This includes documents, guiding the SAIs in their professional assessment of measures taken by administrative authorities or guiding administrative authorities and encouraging good governance.

10. The numbers 9000-9999 are reserved for this category of documents, and the acronym INTOSAI GOV is used instead of ISSAI. With this amendment, the classification principles apply also to these documents.

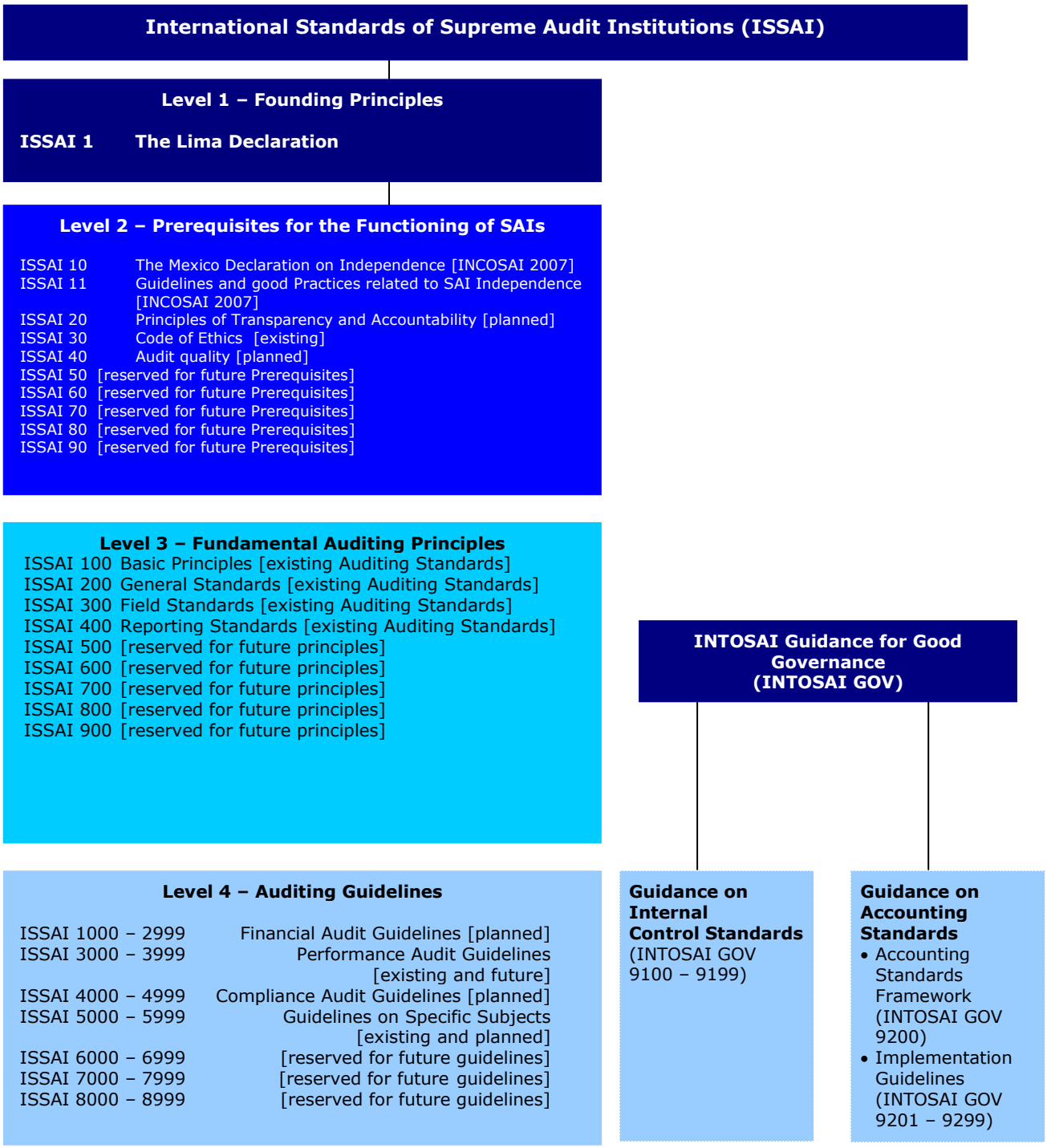
Other documents:

11. Other documents – such as reports, glossaries, lists of organisations or collections of examples for purely inspirational purposes – are not numbered. They can be included in the framework only as an annex to the relevant ISSAI- or INTOSAI GOV-document.

The existing document 'INTOSAI Code of Ethics and Auditing Standards':

12. The existing document 'INTOSAI Code of Ethics and Auditing Standards' endorsed by INCOSAI in 2001 is divided into 5 documents and each is given an ISSAI-number. The Code of Ethics belongs to level 2, while each of the 4 chapters of the Auditing Standards becomes a document on level 3. The item numbers are changed to the effect that the digit indicating the number of the chapter is left out.

Framework of INTOSAI's standards and guidelines



Maintaining the framework on www.issai.org

The framework on **www.issai.org** will be the primary vehicle for distribution of the International Standards of Supreme Audit Institutions. PSC will continuously maintain and develop the website in accordance with INTOSAIs communication policy. PSC will present the standards and guidelines in a userfriendly webbased format and will on a daily basis make the editorial changes necessary without affecting the texts endorsed by INCOSAI.

Through www.issai.org, PSC will make INTOSAI's process of providing standards and guidelines more transparent. In addition to official INTOSAI documents the site will contain the final

proposals not yet endorsed and it may also be used to publish exposure drafts and information on the planning of new ISSAIs. At www.issai.org the ISSAIs will be available in all official INTOSAI languages as provided by the responsible subcommittee or working group, while further information on the site may be in English only. It is the responsibility of the chairs of subcommittees and working groups to forward any new draft documents to be published and suggest an ISSAI- or INTOSAI GOV-number in accordance with the classification principles.