



Public Standardsetting Committee

Datum 2014-09-19

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Swedish National Audit Office (Swedish NAO) response to draft final report on the evaluation and recommendations to improve INTOSAI's standard setting

First of all, we would like to congratulate you to the finalization of the draft evaluation report. The need for a stronger, robust and sustainable organizational structure for the standard setting process is urgent. The Swedish NAO supports every step towards reaching that goal.

We find the report well written and the suggestions are in line with the ambition of creating a more professional and sustainable solution, though the Swedish NAO would have preferred scenario number 4. Our rationale is that we believe it is more efficient, the level of harmonization would be higher and the responsibilities of each part in the structure (including the decision making process) clearer. But we also appreciate the difficulties in implementing such a structure.

Overall we support the establishment of the *Permanent committee for professional matters*, the *Common forum for the framework of professional standards*, the *Consultative group* and the *Permanent secretariat*.

The establishment of the *Common forum* will have an impact on the quality of the future standards (ISSAI/GOV). Because of this, it is extremely important that the experts in this forum are chosen by their merits and skills in standard setting and respective audit profession. We don't find it necessary that they are drawn exclusively from the PSC, CBC and KSC, as the report indicates. We acknowledge the need for inclusiveness but want to emphasize that the work of this group is crucial for the whole standard setting process and the composition of this forum will set the level of quality for the standards.



Against this background of overall support for your proposals, we would like to make more substantive comments on a few issues:

- **Responsibilities and division of work.** The establishment of a *Permanent committee for professional matters* and a *Common forum for the Framework of Professional standards* are excellent suggestions. In establishing these two instances it is very important to specify the boundaries, areas of responsibility and division of work between them and also between the *Common forum* and the PSC/CBC/KSC.
According to the suggested model on page 19 the *Common forum* will decide on the standards and give directions to the Chairs of the PSC/KSC/CBC for further work on the drafting of the standards. Does this mean that they have the ultimate responsibility for the quality of the ISSAI/GOVs and that their decisions overrule the decisions/approvals made by the Chair of the PSC/KSC/CBC on matters related to standard setting? This could be more elaborated in the report. We would prefer a strong and legitimate *Common forum* being independent of the PSC/CBC/KSC and with the overall responsibility for the quality of the ISSAI/ GOVs.
We welcome the recommended strengthening of the Governing Board's oversight function.
- **Harmonization and Effectiveness.** According to the report the CBC/PSC/KSC will continue to share the responsibility to draft ISSAIs/GOVs. We believe that this model could cause some inefficiency and the ambition to harmonize the standards might suffer. We also predict that such a model would cause more work for the *Common forum* and the *Permanent secretariat* which in the long term would affect the finances for the Secretariat. The Swedish NAO believes that concentrating the responsibility for drafting the standards to the PSC would be a more effective and robust model.
- **Permanent secretariat.** We fully support the establishment of a Permanent Secretariat. However, it is not fully clear whether the secretariat will be a part of the *Common forum* or the *Permanent professional committee*. We strongly believe that the Secretariat should be part of the *Common forum*, since that forum will have a crucial role in evaluating the quality of draft standards and other crucial issues. The evaluation of quality should not solely depend on voluntary contributions from the experts in this forum. Linking the Secretariat to the Common forum would permit a sustainable and robust quality assurance mechanism.



As for the suggested duties for the Secretariat, it is not clear to us whether the Secretariat would support the *Common forum* only or also the Chairs for PSC/CBC/KSC and other drafting committees such as subcommittees. If the secretariat is supposed to provide support to the whole structure (including subcommittees in the drafting sessions) then the financing issues needs to be further elaborated. The report does not state which scenario (including level of decentralization) the calculation is based on. We suggest that the Permanent Secretariat supports the *Common forum* and the Chairs of PSC/CBC/KSC. If the assignment to draft standards/GOVs is concentrated to the PSC (which we would prefer), the assistance to the drafting teams would be more effective.

Lastly, we would like to draw your attention to the financing. Ideally we would have preferred that the burdens would have been shared by the whole INTOSAI community by raising the membership fee. The reliance on voluntary contributions puts the robustness of the solution in jeopardy. It is therefore important that INTOSAI takes an active role in trying to get its members to contribute. Once the new structure is in place, the Swedish NAO is willing to make voluntary contributions towards the initial investments and its maintenance.