

Liaison with external stakeholders

LIAISON WITH EXTERNAL STAKEHOLDERS

Introduction

1. The PSC's evaluation report to the Governing Board of November 2014 underlined the important role of external stakeholders: they provide feedback and valuable input to the PSC's standard-setting work. In addition, the exchange of experience between such bodies may help to harmonise international public auditing standards and contribute to mutual recognition of each other's auditing methods.
2. This report also mentioned two other important reasons to strengthen the participation of external stakeholders in that they:
 - i. strengthen INTOSAI's standard setting by providing feedback on the content and usability of the standards from public sector auditors, external experts and users of SAI audit reports,
 - ii. contribute to wider recognition of the ISSAIs amongst external stakeholders.
3. Building on this, the INTOSAI Strategic Plan 2017-2022 introduced the recommendation made in the evaluation report into the Strategic objectives for Goal 1 (Objective 1.1; "Provide a strong organizational framework to support INTOSAI's standard-setting including (...) an independent advisory function"). The PSC included this objective into its future mandate and work plan.

Background

4. Until present, PSC's main external stakeholders have been the International Federation of Accountants (IFAC), the Institute of Internal Auditors (IIA) and the World Bank. Representatives from these organisations are also observers at the PSC-SC meetings and have provided feedback on documents and plans as requested.
5. The PSC's evaluation report recommends including the perspectives of a broader range of users and auditors in the standard-setting process, notably by establishing a separate advisory group which – in addition to the current external observers in the PSC Steering Committee – would include representatives of auditors and users of audit reports from the regional or global level. This would serve as a vehicle for providing more systematized feedback to the standard-setting work, strengthen the

quality of the standards, raise the legitimacy of the standards-setting process among external stakeholders and contribute to the recognition of the INTOSAI pronouncements among professional users.

6. The revised due process promoted the “Strategic Development Plan” (SDP) as a central planning tool for standard-setting, and noted that, *“The planning process (for the SDP) shall include public consultations to encourage input from all interested parties as a minimum every three years.”*¹
7. Furthermore, the revised due process also contains the provision that proposals for projects to develop, revise or withdraw professional pronouncements include appropriate quality processes. These processes may include consultations or consultancy by external experts.
8. Against this background, this document will briefly examine the existing arrangements for external stakeholders and consider the possibilities for expanding and restructuring the stakeholder base against the background of the timeline for the preparation of the new 2020 – 2022 strategic development plan.

The Memoranda of Understanding with existing external stakeholders

9. Currently the PSC has three external stakeholders: IFAC², the IIA and the World Bank. Memoranda of Understanding (MoUs) have been concluded with the IIA and the IFAC.
10. The MoUs outline mutually-accepted expectations between the PSC and the partner organisations so as to allow both entities to work together, through contributions of efforts and resources, towards common objectives.
11. Specifically, the MoU with the IFAC focusses on collaboration to facilitate the development of auditing and assurance, accounting and ethical standards, and the exchange of knowledge and experience in the public sector globally within areas of common interest. The MoU with the IIA is slightly more precise and

¹ “Due Process” for the INTOSAI Framework of Professional Pronouncements, Section 1.1. Basic definitions and general roles and responsibilities

² The MoU is between the PSC and the IAASB, the IPSASB and the IESBA (independent development of standards) and the IFAC (promotion of the standards and building capacity to support implementation). The proposals contained in this paper target more the related standard setting / technical matters rather than the broader development of the relationship between IFAC & INTOSAI.

emphasises that the PSC and the IIA will use or refer to existing standards from other standards setting bodies where appropriate, share experiences in developing global professional practice frameworks under the umbrella of INTOSAI's strategic plan. In addition, the IIA and the PSC agree to mutually recognise each other's expertise in specific areas.

12. Although broadly similar in character, the two existing MoUs vary considerably in terms of structure, content and the detail of what is required / expected from each partner. In addition, both MoUs were concluded prior to the adoption of the revised due process which specifies particular roles for external experts and advisory bodies in the process of developing professional pronouncements. Any revision of the existing MoUs could therefore usefully clarify the role of due process where cooperation with external bodies is concerned, as well as emphasising the benefits for INTOSAI as a whole of involving external stakeholders.
13. In addition, the current MoU with IFAC already draws specific attention to the use by INTOSAI of existing standards by IFAC standard-setting bodies and highlights the advantages of this dual approach in the development of standards. Given the continuing use by INTOSAI of the ISAs as part of the Forum for INTOSAI Professional Pronouncements (FIPP), it would be practical to retain and reinforce this practice by making it a specific reference point when this MoU is renewed. Similar consideration should also be given to reflecting in the IFAC MoU any specific needs of the Capacity Building (CBC) and Knowledge Sharing (KSC) committees, FIPP (and if required also by including a similar provision in the MoU with the IIA).
14. Both MoUs are time limited; the MoU with the IIA is scheduled for review in April 2017; however the MoU with the IFAC should have already been reviewed at the end of 2016. Neither MoU contains explicit provisions for continuing cooperation by tacit renewal beyond these dates.

Expanding the stakeholder base

15. PSC has already emphasised the importance of the role of external stakeholders³. Whilst existing stakeholders play an invaluable role and should therefore continue to work with the PSC-SC, it is desirable to increase the number of stakeholders consulted on a regular basis as well as the pool of potential external stakeholders who might be consulted on an ad hoc basis in individual projects. Doing

³ INTOSAI Professional Standards Committee, Evaluation and recommendations to improve INTOSAI's standard setting, Report to the Governing Board – November 2014.

so would provide greater feedback and valuable input to the PSC's standard-setting work, help to harmonise international public auditing standards via an exchange of experiences and would contribute to mutual recognition of each other's auditing methods. This would help INTOSAI achieve wider external recognition⁴, maintain credibility, safeguard transparency and accountability, improve relevance and to increase quality.

16. Current stakeholders are taken from two standard setting bodies and a non-commercial bank. IFAC develops, promotes, and enforces internationally recognized standards for auditing and assurance, education, ethics, and public sector accounting, and the IIA provides internal audit professionals with authoritative guidance organized in its International Professional Practices Framework (IPPF). The World Bank is a significant source of financial and technical assistance to developing countries around the world with considerable data and research resources. The World Bank also plays a significant role in both promoting and assessing accountability and sound public financial management.

17. Nevertheless, there is scope for increasing the stakeholder base to take into account the fields of expertise of other relevant organisations. For example, there is currently no representation from bodies representing *national or international parliaments* (for example, the Inter-Parliamentary Union (IPU)⁵) as the international organization representing parliaments of sovereign states⁶. Nor is there input from *bodies which assess and report on the strengths and weaknesses of public financial management* (for example the Public Expenditure and Financial Accountability Framework⁷) which aims to facilitate dialogue between governments and others about how to improve the effectiveness of fiscal policies. There is also no consultation with *stakeholders whose objective it is to strengthen the foundations for improved public governance*, for example OECD-SIGMA (Support for Improvement in Governance and Management)⁸. Similarly, it could be relevant to have a link to *evaluation entities*, such as the United

⁴ One of the 10 main challenges to be addressed in a sustainable solution for INTOSAI standard-setting activities, INTOSAI Professional Standards Committee, Evaluation and recommendations to improve INTOSAI's standard setting, Report to the Governing Board – November 2014.

⁵ www.ipu.org

⁶ In addition, the European Parliament's Research Service may be able to help identify suitable international representative bodies to represent parliamentary stakeholders.

⁷ www.pefa.org – working in partnership with the World Bank Group and the European Commission.

⁸ www.sigmaweb.org – as a joint initiative of the OECD and the European Union.

Nations Evaluation Group⁹, which could be particularly relevant when developing performance audit documentation, or the International Professional Practices Framework Oversight Council which evaluates and advises on the rigor of the IIA's Standards and Guidance-setting process.¹⁰ Equally, clients of national SAIs (ministries of finance, for example) or citizen engagement groups could deliver in-depth contributions on specific issues.

Restructuring the external stakeholder base

18. If the number of external stakeholders were to be substantially increased it is likely that existing mechanisms for participation at meetings, delivering opinions and other material, and commenting on proposals will be inadequate with the intended risk of an increase in administrative and cost burdens.
19. One solution may be to divide future and existing external stakeholders into two groups and use the opportunity to clarify and expand their roles, for example:
 - i. ***Consultative bodies***: would initially consist of all new stakeholders selected by the PSC Chair, after consultation with the Goal Chairs and PSC subcommittees and FIPP. They would be consulted as part of a “virtual community” in the process of drawing up the SDP, but would not ordinarily be required to participate physically in meetings. They would have the right to submit comments in the exposure phases and members of this virtual community might be consulted as part of any quality procedures in individual projects. In addition, the proposals for projects to develop new professional pronouncements, which FIPP approves, may include consultations with specific bodies as part of the quality processes.
 - ii. ***Advisory partners***: would initially consist of the three current external stakeholders; the World Bank, IFAC and the IIA. All three would continue to be active observers at PSC-SC meetings and, in addition to general advice, their appointed observers would have a specific role with regard to the three-yearly external consultation exercise for drawing up the SDP. Due process requires that PSC consults with all affected parties before the SDP is approved. At this stage, the observers from the advisory partners i) would provide insight into the SDP and associated work programmes, project priorities and technical issues of importance in regard to the projects and

⁹ www.uneval.org/

¹⁰ www.global.theiia.org/standards-guidance/Pages/Guidance-setting-Processes-and-Due-Diligence.aspx

activities and the implementation of professional pronouncements and ii) could play an additional valuable role by commenting on the practices followed when deliberating and responding to the input received from the consultative bodies. The existing MoUs will have to be modified to allow the new functions and expectations to be clarified.

Benefits of a two-level configuration

21. Such an arrangement as outlined above is likely to produce in the short to medium term the following advantages:

- i. It will allow the PSC-SC to continue to benefit from the expertise and experience of the World Bank, IFAC and the IIA “in real time”,
- ii. It will broaden the range of external stakeholders that will be consulted, without undue administrative burden upon either the PSC or the external stakeholders themselves. A small change will be required to the IFAC and IIA MoUs with the PSC to add a degree of precision to their roles,
- iii. It will be cost efficient compared to consultations organised individually with external stakeholders.

Time implications in general and in particular for due process and the preparation of the 2020 – 2022 strategic development plan

22. In order to identify a feasible maximum number of potential new external stakeholders and their fields of expertise it will be vital to involve the Supervisory Committee on Emerging Issues (SCEI)¹¹, the other Goal Chairs and subcommittee chairs to receive their feedback on the areas of competency and specialities they might require. This initial consultation stage could be carried out relatively rapidly. Thereafter, the longer process would be to take contact with the potential new stakeholders identified, assess their interest and draft, approve and sign new memoranda of understanding if mutually required¹². A possible timeline for achieving these activities is shown in

¹¹ Due to its unique position of monitoring external events.

¹² Before concluding a Memorandum of Understanding with international and supranational bodies and institutions, the Chairs of INTOSAI Committees should in consultation with the corresponding Goal Chair submit a specific proposal for that Memorandum of Understanding in writing to the Chairman of the INTOSAI Governing Board and the Secretary General of INTOSAI. The Chairman of the Governing Board and the Secretary General will decide after mutual consultation within four weeks on the acceptability of such proposal. Source: Handbook for INTOSAI committees, November 2010, section III.2.8. Nevertheless,

Annex 1. To realistically include the potential new stakeholders in the preparation of the next SDP, planning and consultation work would need to begin in mid-2017 to allow for the various exchanges between the parties, and drafting and approval of any necessary MoUs before FIPP considers how the 2020-2022 SDP planning procedure will be organised.

23. The effect of the potential stakeholder split may impact on the preparations for the 2020-2022 SDP. Due process entails that stakeholders deliver comments and provide input into the preparations for the revised SDP at various stages. The information obtained from and issues identified by the consultation process will need to be appropriately considered by FIPP and the PSC-SC and its leadership and properly reflected in the SDP. The split of functions between the two parties, as outlined above, would thus probably entail input first from the consultative bodies, followed by the advisory partners. Due process defines minimum consultation periods, see **Annex 1**, which in turn would likely require the new structures for external stakeholders to be in place and operational by the latest mid-2018.

Conclusions and recommendations

24. The PSC benefits from input and advice from several external stakeholders. Memoranda of Understanding mostly govern this working relationship. The MoUs are due for renewal.
25. Expanding the existing stakeholder base, both in number and areas of competence, would offer benefits for the PSC and INTOSAI as a whole. To better manage the increased numbers a split into distinct advisory partners and consultative bodies would be profitable.
26. Any alteration to existing arrangements with external stakeholders would need to be settled and in place by 2018 to allow its full impact to be felt for the revised SDP in 2020. This would imply starting work no later than summer 2017.

considering the effort and formal steps involved in preparing MoUs, it may be possible to forego MoUs with consultative bodies only and use instead an exchange of letters which would outline the main points of the joint collaboration if all sides agree.

Next steps

27. The PSC-SC is invited to approve this paper and specifically agree that an increase in the number and competences of external stakeholders as well as distinct grouping of them between *advisory partners* and *consultative bodies* would be beneficial for the work of INTOSAI as a whole. The PSC-SC is also invited to mandate the PSC Chairs to undertake the following preparatory work:

- i. Seek feedback from the SCEI, the Goal Chairs and subcommittees on their needs for and from external stakeholders,
- ii. Take contact with the bodies chosen and outline, via an exchange of letters, the main points of the joint collaboration.
- iii. In liaison with the General Secretariat, renew existing MoUs with IFAC and IIA with a provisional deadline of the end of 2017. The MoU with IFAC should include a specific provision for ISSAI's use of ISA standards and reflect where possible the needs of CBC and KSC.

ANNEX 1 – TIMELINE SHOWING STAGES TO ENDORSEMENT OF NEW 2020 – 2022 SDP INCLUDING STAGES OF STAKEHOLDER INVOLVEMENT

