

14th PSC Steering Committee Meeting 8 – 9 June 2017, Brasília, Brazil

Minutes

Item 1 of the Meeting Agenda. Opening

Minister Raimundo Carreiro, Chair of the PSC and President of the Federal Court of Accounts - TCU (SAI Brazil), opened the meeting and extended a warm welcome to the participants and representatives of the PSC's external partners.

2. Mme. Danièle Lamarque, Vice-chair of the PSC and Member of the European Court of Auditors (ECA), also welcomed all to the meeting.

Item 2. Approval of the agenda and initial remarks by the PSC Chair

3. Minister Raimundo Carreiro submitted the meeting agenda, which was available on the website, for approval of the participants. **It was approved unanimously**¹.

4. Rafael Torres, from the SAI Brazil and the PSC Secretariat, presented² the Strategic Objectives for Goal 1 and the PSC Mandate, establishing a link between the activities developed so far and these objectives. He also mentioned that the PSC should contribute to INTOSAI's crosscutting priorities.

5. Raisa Ojala, from the SAI Brazil and the PSC Secretariat, presented the results of the PSC and the ISSAI website survey and the ongoing improvements. She ended her presentation by encouraging the members of the steering committee to send their suggestions for the website by email.

6. Wynand Wentzel, representing AFROSAI-E, stated that in AFROSAI-E they have audit manuals based on the ISSAIs, so the SAIs that belong to that Region normally consult the manuals. This is probably the reason they do not access frequently the ISSAI website.

Item 3. Monitoring of the implementation of the strategic objectives by the Governing Board

7. Using the draft agenda for the next Governing Board meeting as a point of reference, Khalid Hamid, representing the INTOSAI Chair (SAI UAE), talked about the work that is being done to restructure the role of the GB with regard to the follow up of the implementation of the strategic objectives and crosscutting priorities.

8. Khalid Hamid informed the meeting that they are working to make the Governing Board more relevant, agile and responsive to the demands of the INTOSAI community. One of the initiatives taken in this direction was to carry out a survey addressed to the Governing Board members on the role of the Board. He highlighted that changes in the Governing Board are part of the changes that the INTOSAI

¹ The decisions made by the Steering Committee during the Meeting are in bold and underlined.

² The presentations mentioned in these minutes are available at http://psc-intosai.org/en_us/site-psc/psc-steering-committee/meetings/brasilia-brazil-june-2017/.

has to go through. He added that it is easy to change structure and processes on paper, but in real life, a cultural shift in the Organization is needed.

9. In his understanding, in order to make the processes in the Governing Board and in the main INTOSAI forums more meaningful and the Organization more streamlined, INTOSAI has to achieve “the next level” of a professional organization and develop value-added processes. Khalid sees the alignment of the Goal Chairs as an important development toward the necessary changes.

10. In the last part of his presentation, Khalid showed the agenda for the “70th Meeting of the Governing Board”, to be held on November 6-7, 2017, which had been worked together with the General Secretariat, and talked about the efforts made to align the agenda with the strategic planning process. The purpose is to “provoke the Governing Board to do more” and build some kind of accountability regarding the strategic objectives. Khalid noted that there would be two breakaway sessions during the GB Meeting. The first one about SDGs and the other one about the development of the IFPP. This means that there will be an opportunity for the GB members to engage in a discussion of these issues and for the GB to be more involved.

11. Monika Gonzalez-Koss, representing the INTOSAI General Secretariat, mentioned that it will be the first time the INTOSAI bodies will make and present to the Governing Board a deep and broad evaluation of the activities performed to achieve the strategic goals defined in INTOSAI strategic plan. That will be very important to show to INTOSAI members the value of these activities.

Item 4. New INTOSAI Statutes and changes for the Goal Committees/Memoranda of Understanding

12. Monika Gonzalez-Koss presented to the members of the Steering Committee the new INTOSAI Statutes and the main changes related to the work of the Goal Committees. Specifically in relation to the PSC, she highlighted that the definition of the purpose of INTOSAI (art. 1) includes “*set standards for public sector auditing*”. She also mentioned that the Chairs of the INTOSAI Goal Committees are now members of the Governing Board. She pointed out that now 25% of the INTOSAI budget have been assigned to the four Goal Committees.

13. About the memoranda of understanding with external organisations, Monika Gonzalez-Koss briefly talked about the procedures for those, as stated in the INTOSAI Handbook for committees, and highlighted the need to observe those procedures. She mentioned that the INTOSAI General Secretariat has information about MoUs of INTOSAI with the following institutions: IFAC, IIA, OECD, UNEP and Donor Community. She also mentioned the INTOSAI Interregional MoUs between different INTOSAI Regional Organisations.

14. After that, Alan Findlay, from the PSC Secretariat and the SAI European Union - ECA, presented some information about PSC financial matters:

- Funds will be managed by ECA under a written arrangement with the TCU and are accounted for under the terms of the EU Financial Regulation.
- A little over nine thousand euros earmarked for the PSC was already received (voluntary contributions by SAIs Norway and Saudi Arabia).
- Goal Chairs decided that they would share in equal parts the INTOSAI budget assigned for the four Goal Committees.
- The responsibility for deciding on the use of funds available to the PSC belongs to the PSC-SC.

Item 5. Forum for INTOSAI Professional Pronouncements (FIPP)

15. Representing Ganga Kapavarapu, Chair of FIPP, Neil Usher, from the SAI European Union – ECA, PSC Secretariat and a member of FIPP, brought the latest updates from FIPP. He presented information about the FIPP meetings and activities since the previous PSC SC meeting. He also showed the FIPP documents available for public use. The next (fifth) FIPP meeting will be in Ottawa, in July 2017.

16. After this presentation, Rafael Torres talked about the governance of FIPP and the rotation policy. He explained the composition of FIPP and the selection process of its members, a responsibility that belongs to the PSC, CBC and KSC Chairs, acting jointly. He also showed the steps to be taken in 2017 to fix the terms of each of the FIPP members and to carry out the FIPP members' selection process. Subsequently, Rafael Torres made a presentation on the FIPP governance and membership. He pointed out that one of the main roles of the PSC-SC regarding the work of the FIPP is to ensure transparency and accountability through communication and to prepare the Strategic Development Plan (SDP). He highlighted that PSC is the guardian of the Due Process.

17. After the presentations in the first part of the meeting, there was a discussion initiated by Jan Roar Beckstrom, from SAI Norway and PAS Chair, about the complexity of all the issues presented. According to him, it is difficult to get the grasp of all the papers and documents related to the governance structure and related to the PSC, the FIPP and the role of the Governing Board. He stressed that it is very important that all INTOSAI members are able to understand these matters, which are complex and hard of understanding even for himself, who has dealt with them for a number of years. Because of that, he thinks that it is important that FIPP and the PSC be very clear about the governance of the standard-setting structure.

18. Neil Usher considered this point valid, since it is quite difficult to understand how it all fits together, but pointed out that various aspects will be discussed and clarified during the meeting. At all levels, there should be an understanding about each other's responsibilities. He said that the Goal Chairs are aware of this and working to improve the communication, not only at the level of SAIs, but also with auditors. He added that there would be a presentation on the Due Process to the Steering Committee. Similar presentations are being made in different forums and this is important to understand the standard-setting governance and structure, since the Due Process explains roles and responsibilities.

19. Andrey Bazin, from SAI Russian Federation, raised the question about the flexibility of the SDP regarding the work of the subcommittees and working groups. He also wanted to know how the SDP relates to the Due Process. For instance, how annual changes in the SDP could be harmonized with all the necessary stages envisaged in the Due Process. Andrey Bazin wanted to hear the PSC Chair's opinion about that. Rafael Torres answered that it is the first time that there is a plan, which was approved in a rush last year, but that the SDP itself and the Due Process state that it could be revised annually. On the other hand, constant changes would make its implementation difficult. The timeline aims to have projects approved at the next INCOSAI, but it is not a problem if priority 2 projects are not all set by 2019, since some projects are quite complex. He pointed out that there would be a specific session in the meeting to discuss the revision of the SDP.

20. Dominique Pannier, from SAI France, shared his concern about the collective classification principles that have been set for the INTOSAI professional pronouncements. He thinks that the authoritative content of INTOSAI principles is not sufficiently highlighted. In the wording of the classification principles, the principles stated in ISSAI 1 and ISSAI 10 are not indicated as authoritative as the ISSAIs themselves. He asked if it could be made clearer that the INTOSAI principles have the same authoritative power than the ISSAIs themselves.

21. Neil Usher answered that ISSAI 100 is the operational expression of the INTOSAI founding and key principles. It is the key document of the new Framework from an operational perspective. This was carefully explained before the document was endorsed by the Governing Board and approved at INCOSAI.

22. Linda le Roux, from SAI South Africa, wanted to discuss the capacity of FIPP. She said that there might be a point when FIPP will need to say that they can only deal with a certain number of projects. Aleksandra Popovic, from SAI Sweden and a member of FIPP, confirmed that capacity is a serious and relevant concern. She said that “*stretching our capacity can affect quality*”. Quality may be affected if there are too many projects, considering the limited resources of FIPP. Rafael Torres agreed with this concern, saying that it is also a reality for the Subcommittees. It is envisaged that the PSC Subcommittees participate in several of the projects, but they might have problems concerning insufficient resources. Notwithstanding, Rafael said that the PSC should try to be as inclusive as possible, in order to bring new subcommittees and working groups to this new process. Victor Hart, from SAI Brazil, emphasized that it this a new process within INTOSAI, with many changes, and there is a need to balance enthusiasm and resources.

23. Wynand Wentzel wanted to know if the PSC had looked for examples of governance structures in other standard setting organizations. Rafael Torres said that this had been done for the study of a technical support function and would be discussed later. Jan Roar Beckstrom stated that the IFAC could be a source of inspiration, but in INTOSAI the new structure is put on the top of the old structure. Monika González reminded the Steering Committee of the essence of INTOSAI, saying that we cannot forget what INTOSAI is. INTOSAI’s work is based fundamentally on voluntary work and in-kind contributions, which is a quite different environment from IFAC and IIA.

Item 6. Strategic Development Plan (SDP) - 1st part

24. The discussion about the Strategic Development Plan (SDP) began with a presentation by Rafael Torres about the new Due Process, and another about the transition to the new Framework, by Alan Findlay.

25. Rafael emphasized that it is FIPP’s responsibility now to approve the projects in each of the key three stages (project proposal, exposure draft and endorsement version). The PSC should provide strategic direction to the work of FIPP and to the standard setting process in general. It is up to the PSC-SC to approve the SDP (based on a proposal made by FIPP) and send it to the Governing Board for endorsement. The PSC, CBC and KSC Chairs are responsible for assuring that the Due Process has been followed in all stages, on a project-by-project basis, in relation to the projects led by their subcommittees and working groups.

26. Alan Findlay stated that the current framework has an unworkable amount of pronouncements and that it has inconsistencies, overlaps and gaps. The new framework aims at strengthening the ISSAI brand, putting ISSAI 100 in the centre of the framework and clarifying what it means to be ISSAI compliant.

27. Neil Usher explained the process of preparing the SDP. He brought to the attention of the PSC SC members that one of the tasks to be carried out according to the SDP is the renumbering and relabelling of a series of pronouncements, in order to make the migration from the old framework to the new one. According to the Due Process, these editorial changes should be made by each subcommittee or working group originally responsible for the pronouncement concerned. However, the PSC SC Chair suggested, for the purpose of efficiency and considering that the Due Process says

“The PSC may decide on further procedures on practical matters on relation to the due process”, that this work could be carried out in a centralized way by the PSC Chair, after FIPP provides the exact numbering. The suggestion was approved by the PSC SC unanimously.

28. After this, Neil Usher explained about the organizational models for the SDP projects:
- Model A project: A subcommittee or working group has “natural ownership” of the project, appoints a leader and invites other participants as indicated in the SDP.
 - Model B project: No “natural ownership”. Up to the responsible Goal Chair to set the project up. Subcommittee and working groups mentioned in SDP appoint representatives.
 - Model C project: Not clear what the outcome will be. Subcommittees and working groups mentioned in the SDP appoint representatives to work on an INITIAL ASSESSMENT to be launched by the FIPP liaison person.
29. Neil Usher also outlined the current status of the SDP projects. He explained as well the preparation and approval process of the projects and the responsibilities and roles of the FIPP liaison officers.
30. The process of elaborating the projects was also discussed. As stated in the Due Process, the PSC-SC “*may decide to provide directions on the organisation of the project in order to ensure the appropriate involvement of all relevant parties in the work*”. This is why the PSC-SC Chair submitted to the PSC-SC members the proposals related to projects 1.2, 1.3 and 2.1, sent by FAAS. However, the Due Process does not provide a timeframe for this. Rafael Torres suggested that the project drafts be sent by email to the members and feedback be given in 15 days back to the Chair. There were no objections.
31. Nobuo Azuma, from SAI Japan, wanted to know why practice notes are classified as ISSAIs in the new framework. Khalid Hamid answered that they are an integral part to understand the ISSAI, and this is why they need to be classified as such.
32. Jennifer Thomson, from the World Bank, asked that some points be clarified. According to the Due Process, who is the approving authority to indicate that a project should proceed and who determines how the pronouncement is classified (a principle, a standard, or a guidance)? Her second question was about the compliance with the ISSAIs. For example, when a SAI is carrying out a financial audit, in terms of description of compliance with the ISSAIs, would the SAI be citing specific ones? Is there a particular form of reference?
33. Neil Usher explained that, in principle, all project proposals should be in the SDP, so the key to the question is how to get projects into the SDP. This happens when the PSC launches a consultation process for inputs and all INTOSAI bodies can provide their inputs about what might be in the SDP (SAIs, IDI, subcommittees etc., as well as external stakeholders). Then the FIPP analyses the technical priorities involved in and proposes back to the PSC SC, including the KSC and the CBC Chairs, what should be in the next SDP. Therefore, it is for the FIPP to analyse the technical aspects and give an initial opinion. Then, it is up to the PSC Steering Committee, including the other Goal Chairs, to analyse the availability of INTOSAI resources for carrying out the projects. Next, Neil Usher answered about the compliance issue asked by Jennifer Thomson. He said that, if the SAI is performing a financial audit, it should be signing up to the whole vertical stream of financial audit in the ISSAI “red box” in the revised INTOSAI Framework of Professional Pronouncements, insofar as the individual pronouncements concerned were applicable for the specific audit engagement. Khalid Hamid wanted to add a caveat on this discussion. He said that ISSAI compliance is present also if you have national standards which are fully compatible with the requirements of ISSAI 100 and, for financial audit, ISSAI 200.

34. Beryl Davis, from the SAI of USA and a member of FIPP, asked the difference between ISSAI compliant and ISSAI consistent. For example, someone who is using the yellow book is not compliant with the ISSAIs, but there could be a statement referring to consistency with the ISSAIs. Khalid Hamid said that the revision of ISSAI 200 is about to begin and they will work on clarifying this issue of consistency with principles. Neil Usher said that the SAI would be compliant if its standards are consistent with the requirements of ISSAI 100. Beryl Davis said that it would be a good topic for further discussion. Khalid agreed and said that, by doing the reclassification in the Framework, we will have more understating of the problem. He believes that the issue raised by Beryl Davis is one of the great problems that has to be dealt with. He added that this would be an issue within the discussion of projects on ISSAI implementation and the IDI projects involving the iCAT.

35. Jan Roar Beckstrom wanted to know the basis for FIPP's decisions and if there are guidelines, or if they are based on the members' experience. Neil Usher said that he could talk about the first SDP, which aims at implementing the new Framework. As for the future editions, he thinks it is not clear. Alexandra Popovic answered that the guidance FIPP got for this first SDP plan was to ensure that the new framework would be fit for purpose and that the existing documents have the quality as the new classification system requires. For the future this issue is not clear, FIPP would like to have a clarification on what the purpose of the SDP is and how to prioritize as FIPP doesn't own the SDP as such. Neil Usher pointed out that FIPP is committed to be transparent and that the final decisions on the SDP are made by the Steering Committee, based on a transparent process. In addition, he said that FIPP's judgement about the inclusion of a project or the prioritization depends on the case put forward. A well-worked serious justification in a proposal that fits into the framework and is in accordance with INTOSAI's interests is much more likely to be in the SDP than just a wish for a pronouncement. Rafael Torres added that the ToR of the PSC that would be presented for approval later in the meeting (agenda item 11) has a clause that requests an analysis, a justification and a feedback from FIPP to the interested parties when a proposal is not accepted.

36. Hege Larsen, from SAI Norway and the PAS Secretariat, said that there was a difficulty to commit to the projects because many of them are unclear and there is a need for more information. She stressed that PAS was willing to participate, but no members were assigned because not enough information was available. Khalid Hamid agreed that some projects are huge and need to be broken into chunks.

37. Jennifer Thomson asked for information about the KSC projects. Ranjan Ghose, from SAI India and representative of the KSC and CAS, said that they would be presented later on. Regarding the "Priority 3" projects, Rafael Torres said that some cases are faster, but there is no perspective to have them concluded by 2019. Maybe they will have begun by then. Neil Usher hoped that the next SDP process would have the involvement of the World Bank and other external partners.

38. Andrey Bazin raised a question about the timeframe for the projects. However, the PSC Secretariat explained that a timeframe is not defined, since there are projects of different complexities. Andrey said that there should be an estimation for the duration of each stage. Neil Usher commented that there might be a way to approve the pronouncements by the Governing Board and just later on have them endorsed "retrospectively" by Congress. Rafael Torres mentioned the following parts of the Due Process that may confirm this understanding (page 9):

"New pronouncements become part of INTOSAI's framework of professional pronouncements on the date they take effect, (...). A pronouncement cannot take effect before the Governing Board has considered the endorsement version and decided to refer it to INCOSAI for endorsement"

39. Monika Gonzalez said that this matter should be analysed carefully and discussed with the Governing Board.

40. Referring to projects that involve new pronouncements and review of existing ones, Khalid Hamid stated that a proper translation process is needed. Rafael Torres agreed and said that translation is something that will deserve the attention of the PSC leadership in a near future in three perspectives: 1) quality of the translations; 2) lack of translations of pronouncements even in the five INTOSAI languages; and 3) importance of encouraging the translation to other languages, as language can be a serious barrier to ISSAI implementation in national ISSAIs.

41. Linda Le Roux also asked for some information on timelines, for example how long the stages of approval take. Jan Roar Beckstrom asked for the calendar of the FIPP meetings in the next 2 or 3 years in order to help the planning work of the subcommittees. Ranjan Ghose agreed that timelines are needed.

Item 7. Strategic Development Plan (SDP) - 2nd part

42. In the second work session on the SDP, Rafael Torres presented the process for preparing the first SDP in 2016. He explained that the process was rushed, considering the need to have the SDP approved by the Governing Board by the end of 2016. The different INTOSAI bodies had very little time to provide inputs for the SDP. Considering those circumstances and the fact that the SDP itself mentions that the SDP will *“remain a living document, which the PSC Steering Committee may update during 2017 and 2018 if necessary to include new initiatives or reflect changing priorities”*, the PSC, CBC and KSC Chairs agreed about the need for a revision of the SDP in 2017.

43. Rafael Torres presented the calendar for the revision in 2017 and highlighted that the PSC SC will not make any final decision about a revised SDP in the meeting, as the Due Process states that the approval should be given based on a proposal made by FIPP. Thus, the inputs received from the subcommittees and the Goal Chairs should be sent to FIPP first. As there will be no more face-to-face PSC meetings this year, the PSC leadership considered it relevant to have a discussion about this issue during this meeting. The suggested approach was to agree on some recommendations to send to FIPP and to the other bodies involved, as well as to give some guidance about how to handle the proposals to change the SDP.

44. Andrey Bazin, from SAI Russia, commented that some working groups have their meetings later on and need more time to send the comments. He said that strict timeframes are not compliant with the working groups. Rafael Torres answered that meeting schedules are always a problem, but we have to live with it. There is no possibility of more flexibility due to the plan and the fact that time is needed for the PSC SC and for the FIPP too. Jan van Schalkwyk (SAI South Africa and CBC Secretariat) noted that the rhythm of the work with the new SDP is different from before.

45. Dominique Pannier wanted to know if the inputs are from the Goal Chairs. Rafael Torres answered that they are from the Goal Chairs and the subcommittees and that they will need to be sent to the FIPP by the responsible Goal Chair after the meeting. Dominique suggested that the working groups could have a look at the substance once more after the meeting, before sending it to the FIPP.

46. Regarding the comments to be sent to FIPP, Jan Roar Beckstrom recalled that the background for the IFPP is to get “the house in order” and clean up the existing 3100 pages of standards and pronouncements. This should be more important than “adding new stuff”. Aleksandra Popovic

reinforced the need of prioritization and the fact that there is a lack of resources even for the current SDP projects and adding new projects should be done only with extreme care.

47. Dominique Pannier said that INTOSAI is inclusive and responds to needs, which does not exclude cleaning up. According to him, there is a gap in the SDP regarding professionalization and SAIs with jurisdictional powers.

48. Ranjan Ghose said the SDP needs to be responsive to the changing needs of the members and clear on resources available. It must not close any doors. He suggested that the message to be sent could be that we are open to consider new projects in the SDP, if they are coherent with the resources and adherent to the IFPP. Rafael Torres stated that this proposal is in line with PSC Chairs' thinking. Neil Usher suggested that a group of participants discuss this in detail and present a proposal on the following day.

49. Dominique Pannier asked for some kind of evaluation of the timeline for the projects. Hege Larsen commented that this is also a PAS concern. She noted that the lack of information on some projects brings confusion and impedes PAS members from committing themselves to the project groups. Aleksandra Popovic said that the FIPP needs a clear message from the PSC whether there should be a more inclusive approach or not.

50. Beryl Davis wanted to know how this is done in practice, since there is no clear procedure yet, according to Rafael Torres. He suggested that the members were informed of the FIPP's deliberations and then they decide how to reach the final decision, which will need to be done by written procedure. However, this would be decided later in the process.

51. **There was an agreement about the approach to be taken: send to FIPP the inputs received, together with some agreed recommendation from the PSC-SC. Recommendations would be sent not only to FIPP, but also to other bodies involved in the revision of the SDP. It was decided that Jan Roar Beckstrom (PAS Chair), the CBC and KSC Goal Chair representatives, Dominique Pannier, Andrey Bazin and the PSC Secretariat would prepare a draft set of recommendations, based on the discussions.**

52. **On the following day, the group presented a suggestion that was accepted by all participants. The PSC-SC agreed that the message below was to be sent to FIPP, to PSC Subcommittees and to the other Goal Chairs:**

"The PSC Steering Committee, at its meeting of 8-9 June 2017, considered the issues to be taken into account when revising the current SDP, which is intended to be flexible to ensure it remains as relevant as possible.

*The Committee stressed the importance of all INTOSAI bodies working towards a streamlined and high quality set of standards, while preserving **motivation** and active participation during the **transitional** period. **Inclusiveness** – one of the INTOSAI guiding principles – should be considered when the revision of the SDP is carried out, together with the **criteria and key issues** mentioned below. These should be regarded by goal chairs, their subcommittees and working groups when preparing, considering and evaluating proposals, as well as by the FIPP when examining them:*

- *The projects under priority 1 of the current SDP must remain a **fundamental priority**.*

- *All proposals should fit into the concepts and **categorization** of the new framework.*
- *All proposals should be accompanied by a detailed description of the **scope** of the proposed project and an explanation of its **relevance** to INTOSAI's overall strategic, cross-cutting and more specific standard setting objectives. The project proposal template could be used as a reference.*
- *If possible and within the context of reducing the overall volume of pronouncements, proposals for new pronouncements should be accompanied by suggestions for withdrawing unnecessary or outdated pronouncements (Due Process, item 2.3) under the same area of responsibility.*
- *The **capacity** to handle the project should be considered. The proposed project should not jeopardize the completion of existing SDP projects under the same responsibility and should take into account the need to meet the endorsement timetable and all relevant preparation steps.*

In addition, FIPP shall assure that sufficient information on projects is provided in the SDP to ensure that they can be fully understood.”

53. After the discussion on the revision of the current SDP, Neil Usher presented the calendar for the next SDP (SDP 2020-2022). He informed the meeting that the PSC Secretariat will probably be able to shorten the calendar by one or two months, first because the PSC Secretariat was considering that the 2019 Governing Board would be in November, but it is more likely that it will be in the beginning of October. Furthermore, the PSC Secretariat will try to adjust the contributions of stakeholders to the SDP, depending on the discussions that will happen in the second day of the 14th PSC Steering Committee Meeting on the theme Advisory Function.

54. Nobuo Azuma from the SAI Japan asked if the term ‘all affected parties’ in the process of consultation of the finalized draft of SDP (held from June to September 2019) on the calendar for SDP 2020-2022 includes not only relevant Subcommittees and Working-Groups but also every SAIs.

55. Neil explained that the revised Due Process requires that the PSC consult as widely as possible on the next SDP. For the moment, the time schedule – and it will be adjusted – says that consultation will be in September, October and November 2018. There will be an invitation not only to SAIs, but to the whole INTOSAI community and our external stakeholders partners to comment and make suggestions during that period. They can suggest items to be included in the SDP or issues that should be taken into account when preparing the SDP.

56. **The Steering Committee members approved the calendar for the SDP 2020-2022 subject to the envisaged adaptations to be made by the Secretariat.**

Item 8. Subcommittees’ contributions to the implementation of strategic objectives and crosscutting priorities / other matters raised by the Subcommittees

57. Paweł Banaś, from SAI Poland, made a presentation on behalf of the Internal Control Subcommittee (ICS). He began by saying that ICS has 27 members, but only about 10 of them are actually active. ICS has two observers: The IIA and IFAC. Paweł talked about the tasks that are planned by the Subcommittee. These are about internal control related to COSO (he pointed out that COSO changed in 2013 and that the ICS is waiting for the new enterprise COSO risk management framework,

although basic COSO on internal control is available). ICS has five internal control standards to be reviewed, from the INTOSAI GOV 9100 series: 9100, 9110, 9130, 9140 and 9150.

58. To guide this work and the ICS work in general, some definitions and clarifications were necessary, such as what would be the role and place of the guidance produced by the ICS? Who should be the addressees? What is internal control about and how the work should be organized? The change in COSO itself made the ICS reflect on a completely new approach for its work. These issues were discussed during the ICS Meeting, held two days before the 14th PSC SC meeting.

59. The conclusion reached during the ICS Meeting about who should be the addressee of ICS guidance is that external stakeholders should remain as the addressees, together with SAIs' auditors. ICS should not lose what it has already accomplished with regard to external stakeholders. The discussions on what internal control is about led the Subcommittee to consider that governance is very important and internal control is fundamental to support it. Another important subject debated was the application of tools. Paweł Banaś showed the Meeting participants the webpage that ICS is constructing to be used as an interlinkage between the contents available on internal control, such as the contents of COSO, IFAC and GAO (Green book).

60. To finish his presentation, the ICS representative talked briefly about the Subcommittee's next steps, mentioning projects that are being included in the SDP. The proposals to solve the problems of ICS met with a positive response of the PSC.

61. The next presentation was made by the representative of the Compliance Audit Subcommittee (CAS), Ranjan Ghose. He said that the SAI of India has been chairing CAS for a short period, since December 2016. The 14th annual CAS meeting was held in New Delhi, in February 2017.

62. In that meeting, CAS adopted its 2017-2022 Work Plan. It was based on the new INTOSAI Strategic Plan 2017-2019, the SDP 2017-2019, as well as inputs from CAS members. It has two essential elements: preparing supplementary guidance to help SAIs to implement ISSAI 4000 and associating with other Committees as subject matter experts in six SDP projects of relevance to CAS.

63. Khalid Hamid talked about the work of FAAS. He reminded the Meeting participants that in 2016, the former Financial Audit Subcommittee (FAS) merged with the Accounting and Reporting Subcommittee to create the Financial Audit and Accounting Subcommittee (FAAS). To reach the decision of merging the groups, it was considered that one of the biggest issues for auditing standards is to have knowledge of accounting standards. Khalid talked about the importance of closely following the work of IFAC and the International Public Sector Accounting Standards Board (IPSASB). FAAS follows the launching and exposure of standards to public comments by the Board and tries to be involved in the process. This way, FAAS is trying to be proactive in preparing practice notes regarding the ISAs. This represents a lot of work and, therefore, FAAS does not engage fully properly in other actions that the Subcommittee should carry out. FAAS is working on four projects included in the SDP and the Subcommittee does not have capacity for much more. For instance, FAAS should be acting in implementation issues, but the Subcommittee resources are not enough. This is one of the main challenges of the FAAS.

64. Khalid Hamid took the opportunity to inform the Meeting participants about the INTOSAI work on the SDGs. It was one of themes of last INCOSAI, that raised a lot of interest – there were 7 regional papers presented and 120 SAIs answered the survey. The idea is not to create another structure to deal with this theme, but to use the current structures to work on it. He mentioned that this is an opportunity for INTOSAI to have a public voice and expert view on that, to dialogue with institutions like the UN and World Bank. "Experts groups" were created to work on each of the 4 different approaches the activities performed by SAIs related to SDGs were divided.

65. He mentioned that PSC could have an important role on this work. When SAIs do performance audit, many times they touch upon aspects of SDGs. One of the ideas is developing a framework to aggregate the results of the individual reports in a codified way, so a global report can be produced. PAS could play a role in evaluating this framework. Another framework to be developed is related to ordinary SAI work that identifies weakness of Internal Control in areas like procurement, revenue, etc. He also mentioned the work that IDI is leading in relation to audit government preparedness to SDGs, involving many SAIs. Finally he invited people that are working in all these areas to join INTOSAI efforts related to SDGs.

66. Jan Roar Beckstrøm made a presentation about the PAS. He said that PAS is working towards achieving Goal 1 on performance auditing and is also working to be more involved in crosscutting priority 2, *“Contributing to the follow-up and review of the SDGs within the context of each nation’s specific sustainable development efforts and SAIs’ individual mandates”*. Jan Roar considers this crosscutting priority very interesting to PAS because it is related to performance auditing.

67. Jan Roar mentioned the latest PAS meeting, at the end of April 2017, when the PAS Work Plan for 2017-2019 was defined. Four main points were included in the Work Plan. The first one was supporting implementation of the new ISSAI 3000 series. For that, PAS is working closely with the IDI. The second point was working with the PSC and FIPP to implement the Strategic Development Plan (SDP). PAS wants to be involved in projects related to performance auditing. The third one is to work with INTOSAI Chair and other INTOSAI bodies on crosscutting priority 2. PAS sees the need of a coordinated approach, which includes PSC, in order to put forward the work on the SDGs. The fourth point in the PAS Work Plan regards good practices in performance auditing.

68. The Chair of PAS considers that the Subcommittee is contributing to the achievement of the strategic objectives for Goal 1, particularly to strategic objectives 1.2 and 1.4. PAS is also seeking to contribute to the work on crosscutting priority 2, which requires highly coordinated work.

Item 9. External partners and new Advisory Function

69. Mme Danièle Lamarque chaired this meeting session. Mme Lamarque started by talking about the relevance of the theme and observing that the fourth key strategy to achieve Goal 1 and strategic objectives (INTOSA Strategic Plan 2017-2022) states:

“4. Establish and maintain an advisory group, including the current observers in the PSC as well as representatives of users, international audit organizations, and other relevant parties.”

70. She said that the PSC objectives on this theme were to build on the partnerships that PSC already has, renew the agreements and extend this advisory function to other bodies.

71. Mme Lamarque invited the representatives of the World Bank, IFAC and IIA – current observers in the PSC – to make presentations. The first one was Mrs Jennifer Thomson, from the World Bank.

72. Jennifer Thomson talked about the World Bank’s future directions and strategic priorities. The Bank has been in a process of reconsidering its role and the institution is setting a long-term vision. The idea is shaping a common view among shareholders on how the World Bank can best support the UN 2030 agenda, while staying focused on its own twin goals.

73. After Mrs Thomson’s presentation, Mme Lamarque passed the floor to the IFAC representative, James Gun. He shared some of the learnings he has had over the past year, which link

the work of the standard setting boards into the IFAC strategic direction. James Gun hoped that these learnings would have relevance to INTOSAI's thought process of moving forward.

74. James Gun talked about disruptive technologies and their impact on accountancy and auditing, as well as about professional scepticism as topics that bring important changes to the work of the auditor and which have been intensely discussed in forums connected to IFAC. He also talked about themes that are important for the four standard setting boards within IFAC, from both a strategic and operational point of view. He pointed out that all strategies across the Boards are considered impactful, public interest focused and future oriented. He also mentioned that the Boards have moved from their three-year strategy cycle towards a five-year one. As for the standards produced by the Boards, their essential characteristics are: globally relevant, progressive, durable, responsive to needs and operable. Major new standards are accompanied by guidance. All boards have a mechanism to bring back into the plenary discussion the dialogues held at local and national levels. This is one of the important mechanisms for decision-making.

75. To finalize, James Gun talked about the main works that are being developed by each Board. One of Mr. Gun's comments was that the Ethics Board (IESBA) is carrying out a consultation in order to have inputs to revise some points of the code of ethics. The Board would like to receive inputs from the public sector community. He also highlighted that, in the Education Board, one of the strategic themes that they are focusing on is the developments in the public sector in specific areas. In the Public Sector Accounting Standards Board, there is a group of projects covering different areas in the public sector.

76. Following James Gun, the representative of IIA, Gerald Cox, made a presentation on the revision of standards that the IIA has recently carried out. In this process, the IIA identified ten core principles that internal audit has to deal with. This has helped IIA work in a meaningful way and IIA is now mapping their standards vis-à-vis the ten principles. Gerald Cox informed the Meeting participants about the exposure process of IIA standards in 2016, when a number of organizations offered their inputs to the Institute. He mentioned that gaps were found in the way the IIA deals with matters that in turn led to changes being made in the standards, the supplementary guides, manuals and certification programs.

77. He finished mentioning the Memorandum of Understanding that INTOSAI and the IIA have. He said that the relationship with INTOSAI is crucial and that IIA is always seeking opportunities to strengthen this relationship.

78. Neil Usher commented on the IFAC presentation to highlight the importance of the consultation on the code of ethics. Neil encouraged the participation of INTOSAI in this process and suggested that some of the meeting participants gather during the break in order to think about a way to respond to the IFAC invitation to give inputs to the document. After this, some Meeting participants addressed questions and comments on specific issues of the IFAC and IIA presentations. The representatives of these organizations answered and discussed the issues raised.

79. Next, Alan Findlay made a presentation on the main points of the paper "Liaison with external stakeholders". This document was prepared by the PSC Secretariat and presented the background and the main issues involved in the subject. The paper also proposed some steps to be taken in order to fulfil the fourth key strategy for Goal 1 in the INTOSA Strategic Plan 2017-2022 ("*Establish and maintain an advisory group*").

80. Initially, Alan Findlay highlighted the important contribution that external stakeholders have offered to PSC and the INTOSAI standard setting. In the "Evaluation Report of the INTOSAI standard setting", presented to the Governing Board in 2014, the former PSC Chair mentioned that PSC's

external stakeholders harmonize international public auditing standards; ensure recognition of auditing methods; strengthen INTOSAI as a standard setter by providing feedback on the content and usability of standards; and help to promote a wider recognition of ISSAIs among external users. The INTOSAI Strategic Plan 2017-2022, in the fourth key strategy to achieve Goal 1 and strategic objectives, mentions the establishment and maintenance of an advisory group. Due Process envisages a consultation with external stakeholders for the SDP, as well as in the development and revision of pronouncements.

81. In order to increase the number of stakeholders and improve the participation of current external stakeholders in the INTOSAI standard setting, the PSC Secretariat proposed the division of the PSC stakeholders in two groups: the Consultative Bodies and the Advisory Partners. The first group would be comprised of new stakeholders who would be invited to give inputs to the SDP planning process. They could also provide comments to exposure drafts of pronouncements or in quality procedures in individual projects. They would form a “virtual community” to contribute to INTOSAI standard setting. The second group would be made up of the three current PSC external stakeholders: IFAC, IIA and World Bank. They would continue to be external observers in the PSC Steering Committee. Moreover, they would give inputs to the SDP projects and comment on the inputs received from consultative bodies. In order to change the role of the current PSC external stakeholders, the memoranda of understanding signed with these organizations would have to be revised.

82. Alan Findlay observed that there is a number of potential “consultative bodies” to be invited. The choice will depend on the interest and need of INTOSAI standard setting bodies. Because of that, the PSC Secretariat proposes to consult the Goal Chairs, the SCEI, the PSC subcommittees and the FIPP about their needs and gather their suggestions on which organizations should be invited to be a “consultative body”. Notwithstanding, the PSC Secretariat has already suggested some organizations as potential candidates for consultative bodies in the paper “Liaison with external stakeholders”.

83. In Annex 1 of this paper, the PSC Secretariat suggests a timeline for the endorsement of the 2020-2022 SDP, in which the participation of external stakeholders, as suggested in the document, is indicated. In order to execute this timeline, complying with the periods prescribed in Due Process, the new structure of external stakeholders would have to be in place by mid-2018. For that, the selection of the consultative bodies would have to begin in mid-2017. The PSC Secretariat did not request the approval of this timeline, which was presented for guidance only.

84. The request of agreement from the Steering Committee was made with regard to: (i) increasing the number of external stakeholders and their competencies; (ii) restructuring the external stakeholders into the two suggested groups - Consultative Bodies and the Advisory Partners – and allocating the suggested tasks to each group; (iii) renewing the existing memoranda of understanding with the IIA and IFAC according to the envisaged new tasks; (iv) consulting with the CBC and KSC about the accommodation of their interests in reviewed or new agreements with external stakeholders; and (v) consulting the organizations indicated by the Goal Chairs, the SCEI and the PSC subcommittees about their interest in becoming Consultative Bodies for INTOSAI standard setting.

85. Jan van Schalwyk, from SAI of South Africa and CBC representative, remarked that the Goal Chairs have still work to do in order to define how the KSC and the CBC relationships with external stakeholders will be reflected in the formal agreement with IFAC.

86. **The PSC Steering Committee Members agreed that the PSC Secretariat proceeded with the work on the Advisory Function in accordance with the proposed terms.**

87. The next part of this work session was dedicated to the INTOSAI representation in other standard setting organizations. The PSC Secretariat received reports from six INTOSAI representatives: two from colleagues in IIA bodies (IPPFOC and IAASB) and four from colleagues in the IFAC Boards (IAASB CAG, IPSASB, IPSASB PIC and IPSASB CAG). These reports can be found at the PSC website, together with other Meeting material (http://psc-intosai.org/en_us/site-psc/psc-steering-committee/meetings/brasil-brazil-june-2017/). Neil Usher presented a summary of the reports on the IIA bodies and the one on the IAASB CAG (IAASB Consultative Advisory Group). He highlighted the points that the INTOSAI should be aware of in these bodies' actions.

88. The reports on IIA highlighted six key points. The first one was that INTOSAI could play a role in encouraging internal audit much more as a value creator. The second was the possibility of leveraging Internal Audit reports and to move towards a single audit concept. Thirdly, the opportunity for IIA to have more involvement in INTOSAI standard setting. The fourth was the possibility of carrying out a comparison between the codes of ethics of the IIA, IFAC and INTOSAI. The next point are the issues for IIA in consistency in terminology. The last point is the importance of implementation guidance. Jacek Jezierski, from SAI of Poland and INTOSAI representative in the IPPFOC/IIA, commented on the presentation by Neil Usher. He said that Neil picked up the most important issues, particularly because they were related to the opportunity of improving cooperation between INTOSAI and IIA.

89. The report on IAASB CAG – also summarized by Neil Usher – highlighted four key areas of activity: updating and revision of ISSAI 540, on Accounting estimates; the on-going work on ISSAI 315, on identifying and assessing risks; the area of engagement quality control reviews; and the area of data analytics.

90. Stuart Barr, from the SAI of Canada, presented the reports about the other three IFAC bodies. Stuart Barr is the INTOSAI representative in the IPSASB. He talked about the main actions and the projects that are in progress within the Board. He mentioned projects on revenue and non-exchange expenditures, heritage assets, updating of financial instruments and public sector measurement, among others. Stuart Barr encouraged the participants to send comments on the projects during the consultation phase, emphasizing that these comments will be highly valued.

91. Dominique Panier, from SAI of France and representative of INTOSAI in the IPSASB Public Interest Committee (PIC), made a very brief presentation on the Committee. He explained that it is composed of the World Bank, IMF and OECD plus INTOSAI. Within PIC, INTOSAI has the objective of increasing its visibility and credibility, while underlining to the other PIC members the SAIs' experience with regard the assessment of financial statements based on IPSAS.

92. At the conclusion of the discussions on external stakeholders and INTOSAI's representation in other Organizations, Neil Usher asked for the floor and took up the issue of responding to the consultation that the IFAC Board of Ethics (IESBA) is carrying out on their code of ethics. Neil suggested that Jacek Jezierski (SAI of Poland) take the lead in the task of presenting INTOSAI's contribution to IESBA. Jacek was the team leader for the revision of INTOSAI Code of Ethics (ISSAI 30).

93. **The suggestion was accepted and Jacek Jezierski was asked by the PSC Steering Committee to consult former ISSAI 30 team members and forward their joint contribution to IESBA.**

Item 10 – Technical support function (TSF)

94. Neil Usher made a presentation on the theme. He started by highlighting that the TSF is mentioned in the INTOSAI Strategic Plan, in the strategic objective 1.1:

“1.1 Provide a strong organizational framework to support INTOSAI’s standard setting including a permanent standard-setting board (the Forum for INTOSAI Professional Pronouncements), a technical-support function, and an independent advisory function.”

95. He noted that the PSC Secretariat approached this subject with caution, not only because of what is involved in setting up a technical support function, but also because it has a history within INTOSAI. The creation of a TSF was proposed by the former PSC Chair in the 2014 Evaluation Report. This proposal was presented to PFAC, which also pointed out the need to avoid elaborated structures and external funding. The PSC Secretariat took it into consideration when developing a study on the theme.

96. Neil went on to say that the existence of a TSF is the norm in standard-setting organizations. In these organizations, the function enhances quality, consistency and efficiency. The paper prepared by the PSC Secretariat presents these aspects, together with an estimate of the costs involved in establishing and maintaining a TSF.

97. He presented ten activities carried out by standard setting organizations, highlighting that he was not suggesting that they should be adopted by the INTOSAI. He went through the activities one by one, saying which had greater or less probability of being adopted by INTOSAI.

98. A further aspect presented was how the staff of a TSF could be hired and maintained. Three models of employment were presented: foundation model, established under the national model of the host country; a direct model, where the host SAI would employ staff of the TSF directly; and a secondment model, where the host SAI second staff who are paid by their parent SAI, which also pay an allowance for their living abroad.

99. Neil Usher ended saying that the PSC Secretariat would welcome suggestions of other models and other ideas. Then, Neil gave the floor to Alan Findlay, who made a presentation about the comments received by the KSC, CBC and PAS on the paper prepared by the PSC Secretariat about the possibility of creating a TSF.

100. After that, Neil Usher remarked that one of the strong messages in the comments received was the need to recognize the role of the subcommittees and working groups, which are very much the INTOSAI’s centres of excellence. Thus, some of the activities performed by a TSF in standard setting organizations – such as drafting pronouncements – should rest with the subcommittees and working groups in the case of INTOSAI.

101. Neil Usher considered each one of the activities listed in the beginning of his presentation and commented about them, saying what activities should stay exclusively in the domain of the subcommittees. He based his remarks on the comments received by the KSC, CBC and the PSC Subcommittees on the paper prepared by the PSC Secretariat. According to these comments, the main activities to be reserved for the Subcommittees and Working Groups would be drafting new or revised pronouncements in accordance with drafting conventions and drafting the endorsement version of pronouncements for approval. Management issues would also be a subcommittees’ responsibility. As for administrative activities, there were divergent opinions in the comments from KSC, CBC and PAS. Neil expressed his opinion that, since highly qualified staff are envisaged for the TSF, it would be an expensive way to use these human resources as a secretariat for FIPP or for the working groups and subcommittees.

102. Neil suggested that the study about the possibility of implementing a TSF could address the following issues: (i) trying to define the role of the TSF and reaching a decision on what it would do; (ii) considering the employment question (there are indications that the second model would be the simplest one to be put in place in an initial phase); (iii) considering the hosting question (would an SAI be willing to host the TSF?); and (iv) carrying out a proof of concept exercise. The proof of concept would be for a limited period of time, in which we could see how the TSF works and how it could be financed.

103. Victor Hart emphasized two points. The first one was about the proof of concept. He suggested that we did not rush into it. He understands that a broader debate in INTOSAI about the TSF is necessary, and noting that a more advanced debate is needed before a proof of concept could be considered. The second point was about governance of a potential TSF. It needs to work with efficiency and proper coordination, and be created with a strategy in mind and with careful coordination.

104. Jan Roar Beckstrøm understands that there are some prerequisites for establishing a TSF. He read out the PAS' conclusion from the letter sent to the PSC Secretariat with comments on the theme:

“Establishing a TSF could potentially be a good measure in order to professionalize INTOSAI's standard setting. Technical quality is very important for global standards of any kind. However, a final decision to establish a TSF should be the outcome of a thorough evaluation of all the existing entities and committees involved in standard setting. Some tough choices must probably be made regarding which entities are really needed and what their functions should be. Simply adding a TSF on top of the existing structure would probably be detrimental to INTOSAI as an efficient and professional standard setter”.

105. Monika Gonzalez said that many of the tasks, many of the roles mentioned in Neil's presentation would be clear roles of INTOSAI's Committees, Subcommittees and Working Groups. For example, regarding emerging issues, the role belonged to the Supervisory Committee of Emerging Issues (SCEI).

106. Her second comment was about financing a TSF. As recently stated by the PFAC and the Governing Board, including in the most recent GB meeting, several INTOSAI members would not be able to provide additional financial resources to permanent structures in INTOSAI. Her opinion is that the only way to finance a TSF would be via in-kind contributions, particularly taking into account the remarkable success that INTOSAI has achieved so far through actions based on in-kind contributions. INTOSAI should continue to count on the remarkable in-kind contributions that its standard setting activities have received. She pointed out that we should never forget the idea of voluntary participation within the INTOSAI. Therefore, we should rely on SAIs' staff.. Other forms of financing, such as financing by donors, could jeopardize INTOSAI's independence and the credibility of its standards.

107. Stuart Barr said that we want to become a standard setter of choice for the SAIs. Because of that, we created FIPP and we have placed FIPP on top of everything else. Now we seem to be talking about a further layer, the TSF. If we add FIPP and the TSF, we will have what we always had with two additional layers. He thinks we have to ask ourselves if this is what we want. We have to ask if we are on the right track. If we want to be a standard setter of choice for the SAIs – and we are not there now –, is the answer leaving everything as it is and adding two layers of process? For him, it was not the case.

108. Stuart also noted that when we consider standard setting organizations, we see that there is a real consistency in the way to do business. We see that they do business in a different way. INTOSAI's

way is not wrong, but if we want to be a standard setter as those organizations are, we cannot simply not make any changes and keep doing things in the way we have always done. The discussion of a TSF opens the door to discussing what we want to do overall. In INTOSAI, volunteers work and prepare documents in addition to their full time job. In other standard setting organizations, full-time well-qualified staff develop the work. He understands that we have to make hard decisions.

109. He went on to say that governance and the roles in standard setting organizations are very clear. If we want to do something different, we must have clarity in the governance, define roles and responsibilities and streamline the processes. This is why he thinks we should take a few steps back and define what our goal really is.

110. The floor was passed to Beryl Davis. Her first comment was about financing a TSF. She highlighted that defining the way of financing it would be a fundamental step in the process. Secondly, she pointed out that the TSF will need two kinds of professionals. The first profile would be of someone who has technical skills, technical expertise. The second would be someone with administrative skills; who is strong in processes. She voiced her concern about beginning the functioning of the TSF with only one job description, because we will need different types of skills.

111. Ranjan Ghose endorsed what Stuart Barr said. However, he understands that we would not be creating another layer of approval with the establishment of a TSF. We would be engaging experts who would provide technical support to the existing INTOSAI standard setting bodies. From that perspective, the TSF could be of value. Notwithstanding, he sees the need for streamlining some of the standard setting functions. He thinks that the TSF should not be involved with administrative functions, which could be more appropriately done by the Working Groups and Working Streams. In addition, drafting new pronouncements and drafting endorsement versions are functions that should legitimately be done by the Working Groups and Working streams. The TSF should focus on giving support to the existing structures. As for the funding, it requires more discussion and depends on the resources that SAIs are able to commit. To conclude, he remarked that, if a proof of concept is required, there must be a discussion on how it will be set.

112. Khalid Hamid intervened by saying that he believed one hundred percent in what Stuart Barr said. He considers that this is a very important moment and that decisions have to be made.

113. Khalid noted that three years ago, during a PSC SC meeting, a representative of IFAC had said that, if INTOSAI wants to be a standard setter, we have to make difficult decisions. Khalid added that, although he works with brilliant people in FAAS, this Subcommittee is not a standard setter. There are limitations. He noted also that he used to be a FIPP member, but he could not continue because it was too much work. Khalid stressed the amount of work involved in standard setting. It is not like conducting an audit. It is two levels above.

114. He talked about visits made by him and other colleagues from FIPP to standard setting organizations. These visits gave rise to several important messages. One of the most important perceptions was that ISSAIs lack consistency and the ISSAI brand is not widely regarded. We need more quality in our work. He pointed out that INTOSAI was created for knowledge sharing. In order to promote capacity building and standard setting, we need to change our processes.

115. Wynand Wentzel concurred with Stuart Barr and Khalid.

116. Referring to point 5 of the PSC Mandate, which refers to monitoring, implementation and adoption, Wynand Wentzel said that another angle should be added to it: providing support for individual SAIs to understand the challenge related to the ISSAIs. In Afrosai-E, huge amounts of resources have been spent in providing support to SAIs for the implementation of ISSAIs. In these

cases, external organizations are appointed to do this job. They require and use INTOSAI material for that, which means that they make money out of INTOSAI material. Wynand Wentzel thinks that much money could be saved if things were done in a centralized way, instead of having individual SAIs take individual initiatives.

117. Jan Beckstrøm supported both Stuart and Khalid. He was of the opinion that we should re-evaluate the whole structure of INTOSAI standard setting, including the roles of KSC, CSC and PSC. He also said that the SAI of Norway chairs the Performance Audit Subcommittee (PAS). However, if it were decided to dismantle PAS, it would be fine. Nevertheless, he highlighted that PAS is still productive in producing standards. If they are not of the desired technical quality, this is because it is difficult to produce standards in your free time. Hence, we really need to think about it and carry out the re-evaluation that he referred to.

118. Following Jan Roar, Monika Gonzalez stated that Stuart and Khalid raised important points that could lead INTOSAI to a fundamental discussion. **She invited the PSC Chair to consider preparing a report to the Governing Board reflecting the points raised.** Monika Gonzalez doubted that INTOSAI members and the INTOSAI leadership are completely aware of the points just raised and what it means to be a standard setter. **The points raised should be brought and discussed within the INTOSAI Governing Board.**

119. **Victor Hart agreed with Monika and said that the PSC Chair will take forward her suggestion in order to promote a broad discussion within INTOSAI.** Victor highlighted some of the things said, which shows the complexity of this issue, in particular that the current INTOSAI standard setting function does not produce the best quality standards. In order to produce them, fundamental changes would be necessary. Victor emphasized that, despite the importance of these conclusions, we should not forget that INTOSAI is still adapting to recent internal structural changes.

120. Victor also highlighted the costs involved in producing high quality standards, noting that financial issues also have to be discussed and solved.

121. Lastly, Victor noted that comparisons are very useful, but the reality of INTOSAI is not the same as that of the standard setting organizations. He understands that we cannot work to become a standard setter divorced from the reality of what INTOSAI currently is, including its governance issues.

122. Linda le Roux said that if the TSF is not going to draft the pronouncements it is not worth it. She is in favour of the TSF doing all the activities mentioned in Neil's presentation and she still sees a strong role for the subcommittees and working groups. They could think about the core subjects, give good inputs and good directions, and work on other matters. CAS, for instance, has to deal with implementation and answer questions about application. However, there is no time for this, because CAS members are always dealing with standards.

123. Peter Rostedt, from the SAI of Sweden and representative of EUROSAI, agrees that we have to clarify the roles in the standard setting if we want to have a structure that includes a TSF. In his understanding, it would not be another layer. It would be connected with a present or future body. Presently, it could be FIPP. In the future, it might be different. It is important that we do not see the TSF as another layer, nor a decision making body. As for staff, no matter what model we choose, we have to focus on competence. The staff would have to have similar competence to the members of FIPP.

124. Jennifer Thomson observed that tremendous efforts have been made in terms of addressing over the past couple of years the issue of what are standards are and for whom they are set. This may

be the consequence of making changes and adapting, as opposed to starting with a blank sheet or saying that it will be a complete different model. INTOSAI is an organization that goes through changes and moves forward with the consensus of its members. Thus, it is necessary to continue the debate on what role and positioning INTOSAI wishes to take regarding standards as international public goods. She sees INTOSAI as the primary body for public sector auditing and if INTOSAI were not to exist, there will be a big void in the standard setting process. Jennifer is not sure about who would fill it. Maybe it would be good to think what would be the scenario if INTOSAI were not making standards for the public sector.

125. Andrey Bazin said that the discussions were crucial. First, they should be taken to a higher level and second most probably should involve all the SAIs.

126. Neil Usher remarked that we were not having one discussion, but actually two discussions. About the one started by Stuart Barr, he agrees that there is a lot to be set for rethinking about the way we do things. An important step, confirmed by Victor Hart, will be to put some ideas together for the Governing Board, something structured and useful. Several ideas presented during the PSC SC Meeting will help the PSC Secretariat to prepare this document.

127. Neil felt that there is little point in taking forward now the debate on establishing a TSF before we have a broader discussion about our standard setting. A lot of thought will have to be given to the governance of the TSF. Part of the questions related to governance will involve the sort of staff and the sort of skills that will be required. We may be able to use some of the lessons learned from appointing members for FIPP.

128. Neil noted that financing is another issue whereby we will have to find a financing model that is sustainable at least for a proof of concept. If we are not able to solve the financing issue perhaps we should give up on the idea of having a TSF altogether. Another important issue is credibility and that if, a point raised by Monika. If we establish a TSF, the staff should come from SAIs. Neil completely agreed with Monika Gonzalez on this point. Regarding the question of a TSF being or not being another layer, Neil prefers the description of it as an attachment to an existing layer. About the tasks the TSF would undertake, Neil pointed out that the message arising from the discussion is to start small, with limited ambitions.

129. **He concluded by proposing that the issue of creating a TSF be put aside for present and that we proceed to the broader debate armed with the important notes and valuable inputs from this meeting.**

130. **Khalid informed that at the next Governing Board meeting, there would be a break-away session dedicated to the PSC. The proposed discussion can be taken to this forum.**

131. **It was agreed that the PSC Secretariat would prepare a document to guide a discussion on INTOSAI as a standard setting organization during the 2017 Governing Board meeting. The discussion on the establishment of a TSF will be resumed after the broader debate is carried out.**

Item 11 – New PSC Terms of Reference (ToR)

132. Paula Hebling, from the PSC Secretariat, presented the main changes that the new Terms of Reference.

133. Nobuo Azuma, from SAI of Japan, asked about how the Terms of Reference refer to observers in the PSC Steering Committee. He asked if an SAI interested in being an observer could apply to the PSC Steering Committee Paula Hebling informed that a provision saying that a SAI may request to be an observer was being included in the new ToR.

134. Dominique Pannier supported the inclusion of this paragraph about the possibility of applying to be an observer in the PSC Steering Committee. He informed that the SAI of France wishes to be a member, and perhaps, if not accepted an observer.

135. **The Steering Committee approved the new PSC Terms of Reference.**

Item 12 – Presentations of the other Goal Chairs

136. Victor Hart made the first presentation in this session. He talked about the collaboration that the three Goal Chairs have been developing with the purpose of improving efficiency in their work. Initially, he presented some background demonstrating how the three Goal Chairs have been working together within the PSC Steering Committee since the establishment of the PSC, in 2005. Both the KSC and CBC Chairs have been PSC SC members since that point. The new INTOSAI Strategic Plan has reinforced the importance of this collaboration, mainly in Crosscutting priority 3:

“Ensuring effective development and coordination among standards-setting, capacity development, and knowledge sharing to support SAIs and improve their performance and effectiveness.”

137. Victor presented the shared responsibilities of the Goal Chairs: the achievement of INTOSAI strategic goal and crosscutting priorities; implementation of the SDP; alignment of projects with the INTOSAI strategic goals and priorities; support for the development of individual projects referred to Subcommittees/Working Groups; maintenance and development of the ISSAI Framework; governance of FIPP; and FIPP membership.

138. He also presented the standing collaboration tasks of the Goal Committees. The first one is the reporting on strategic objectives and priorities to the Governing Board. To do this in a harmonized way, the Goal Chairs decided to use the same format for reporting: a dashboard developed by the CBC. This format will allow the Goal Chairs to present the most important aspects involved in the implementation of each strategic objective. The second and third standing collaboration tasks are the approval and implementation of the SDP and the implementation of the FIPP membership policy respectively. Victor mentioned other themes that the Goal Chairs are currently working on jointly: quality assurance of INTOSAI public goods not covered by due process; communication focused on SAIs auditors; cooperation with external stakeholders; and involvement of Regional Organizations.

139. The floor was given to Neil Usher who explained the main points of the paper on quality assurance of INTOSAI public goods not covered by due process. The three Goal Chairs and the IDI have worked jointly on this theme. The paper is available on the PSC website, together with other Meeting materials (http://psc-intosai.org/en_us/site-psc/psc-steering-committee/meetings/brasilia-brazil-june-2017).

140. After this, Jan van Schalkwyk made a presentation on professionalization, on behalf of the CBC.

141. Before addressing the CBC issues, Jan referred to the discussion that arose from the theme “Technical Support Function” (Item 10 above). He considers the discussion necessary and important. Notwithstanding, he said that it would be wrong not to reflect that PSC has come quite far. A couple of years ago we did not have the benefit of talking about FIPP, nor the Strategic Development Plan,

nor resources. The PSC has led the way in rethinking many aspects and need to balance the fact that we have come very far.

142. Jan also highlighted the joint work of the Goal Committees and said that there are INTOSAI initiatives that require the involvement of the CBC, KSC, PSC and the Regions. Actually, many things in which CBC wants to commit its resources need to be INTOSA wide. He said that the CBC Chair puts a lot of emphasis on trying to streamline and prioritize the work within the Committee and added that the CBC Chair as much as the other Goal Chairs need to have a strong role on strategic alignment and make sure that they create a gateway for what to send FIPP.

143. Jan mentioned the 1st Meeting of the Task Force on INTOSAI Auditor Professionalism and thanked the SAI of Brazil for hosting it three days ago. He pointed out that the Task Force was created with the ambition of creating guidance and standards for auditor competency. A project on competency pronouncements is included in the SDP as “Priority 3” and Jan thinks this status is an advantage, since CBC will be able to evolve into the theme of the project.

144. During the Meeting in Brasilia, the Task Force decided to try something new with regard to the auditor competency issue. The Task Force started with a basic guideline which talks about elements and the building blocks required in any professionalization development route. These elements were used as a framework for discussion, which can subsequently be built on. We can add case studies and examples of professionalization, which we can categorize according to this basic framework outline. According to Jan, if enough experiences are shared and enough case studies are collected, the Task Force will be able to develop practical guidance. Moreover, the Task Force may be able to make an informed judgement on which will be the overarching transversal issues which things that are so universally true that may justify the creation of standards. This will be a long-term and a bottom-up journey and an approach which we have not yet tried.

145. Another workstream mentioned by Jan was how to deal with court models. There is a specific workstream flagged for this topic. The idea is that the competency framework encompasses specific elements of the court models. Moreover, a workstream is also flagged for the expansion of the framework to include managerial and leadership competencies, as well as certain refinements in areas such as performance auditing and compliance auditing.

146. Jan also referred to the Regional Forum for Capacity Building, which was created by the CBC to share and address issues relating to regional capacity development. He commented that the CBC, as any other INTOSAI bodies, has certain ambitions and wants to be more and more efficient, but at the same time needs to remain realistic. To achieve this goal, the Committee needs to keep in contact with the Regions. And so does the IDI. The PSC is also seeking to work closely with the Regions. This is why the Regional Forum for Capacity Building is so important for the CBC plans and initiatives.

147. The next theme addressed by Jan was the SAI Performance Measurement System. He said that the SAI PMF is a great tool for many reasons among which is that SAI PMF is the best starting point for someone embarking in the professionalization journey. In the context of INTOSAI and dealing with the principles stated in ISSAI 12, the SAI PMF uses the best definition of professionalism. As a final topic, Jan mentioned a second tool: the IntoSAINT as a practical tool designed to strengthen integrity and ethics in the SAIs.

148. After Jan van Schalkwyk, the KSC representative, Ranjan Ghose, made a presentation on the Committee’s current work.

149. Ranjan Ghose mentioned the three strategic objectives for Goal 3 included in the INTOSAI Strategic Plan:

“3.1. Develop and maintain expertise in various fields of public-sector auditing and help to provide content to INTOSAI Framework for Professional Pronouncements.

3.2. Enable wide exchange of knowledge and experience among INTOSAI members.

3.3. Working with CBC, IDI, and other INTOSAI entities, facilitate continuous improvement of SAIs through knowledge sharing on crosscutting lessons learned from results of peer reviews and SAI PMF.”

150. Referring to the work on strategic objective 3.1, Ranjan talked about the four KSC projects that are included in the SDP 2017-2019. With regard to projects 2.7 and 2.10 (on Privatization and Disaster related audit respectively), discussions are still in progress regarding the implementation of these pronouncements. As for project 2.8 (on IT Audit), he informed that the initiation document will be presented to FIPP in July 2017. The progress of Project 2.9 (aligning audit of public debt with ISSAI 100) is conditioned to decisions to be made during the meeting of the WG on Public Debt, to be held in August 2017. Ranjan also mentioned six other projects whose inclusion in the SDP was requested by the KSC. FIPP is analyzing this request, according to the recommendations that the PSC SC had just formulated.

151. As for the second strategic objective, Ranjan mentioned two KSC initiatives. The first one was the development, with support from the IDI, of the Community Portal. The KSC is in the process of improving the Portal by including additional features. The Committee will welcome suggestions from the PSC SC members or from any SAI on how to improve the Portal. The second initiative is a survey carried out in December 2016. The KSC Chair asked what the interest of the members would be for undertaking research projects. Thirty ISSAIs responded and twenty-one of them were in favour of conducting research projects. The three primary subjects suggested were Big Data; auditing emergency preparedness; and citizen participation in public audit.

Item 13 – IDI and Regional Organizations

152. Patrick Smith, from the SAI Cayman Islands and representative of CAROSAI, made the first presentation. He focused his presentation on how CAROSAI has been working to implement the ISSAIs. In 2012, 23 CAROSAI members signed an agreement to implement the ISSAIs. In 2012 and 2013, the SAIs applied the iCATs for the three audit types. In 2014, a workshop was hosted by IDI, and PSC trained auditors to be facilitators in ISSAIs implementation.

153. The efforts to implement ISSAIs in the Region faced several challenges, but resulted in important benefits for CAROSAI SAIs.

154. Patrick talked about the main challenges. The first one was the diversity of maturity levels and sizes of the member SAIs. Training was done on a global level. For more experienced auditors, the level of information was more remedial, but for a group of auditors, it was beyond their capabilities. Having the groups spread across the regions was not the most effective approach. Another challenge was related to changes in the public sector. Many governments are going through reforms. Work on the implementation of the ISSAIs and, at the same time, work with governments going through reforms creates a huge challenge. Furthermore, a lack of local expertise created an additional difficulty. Whilst CAROSAI SAIs had help from IDI, it was not permanent. The last challenge mentioned by Patrick was the complexity of the ISSAIs. Many SAIs came from a point of having no standards at all to having 3000 pages of standards, leading to an overwhelming situation deterring institutions from using the ISSAIs in an effective manner.

155. Regarding the benefits, Patrick firstly mentioned institutional development. CAROSAI SAIs had the chance to do an institutional self-assessment. It provided very good information in terms of gap analysis and also provided a useful tool to go to the key stakeholders, particularly the PSC to show the gaps between what was expected from SAIs and the current situation. The second benefit was in capacity development. With the assistance of IDI, CAROSAI SAIs has enhanced their professional competencies. The third benefit was uniformity among the SAIs. ISSAIs allowed some degree of benchmarking and to assess the development and progress of various SAIs, and to identify how best to use resources. Knowledge sharing also became more viable. The last benefit cited was the execution of collaborative audits, which led to much knowledge sharing.

156. CAROSAI is committed to ISSAI implementation, which is a priority for the 2017-2021 planning period. CAROSAI is also committed to quality assurance, seeking to make sure that implementation is being done effectively and efficiently. Finally, CAROSAI also consistently assesses the needs of individual SAIs in the implementation process of the ISSAIs (monitoring the progresses, doing surveys, identifying needs of assistance).

157. Geoffrey Simpson, from the PSC Secretariat and the European Court of Auditors, commented that Patrick's presentation provided a good basis for the discussion on the monitoring system to obtain feedback from SAIs on the implementation of the standards – their practical experience using the ISSAIs in audits. Khalid Hamid recalled that there is a global survey underway and a lot of information could be drawn from there.

158. Archana Shirsat, IDI representative, agreed that the global survey is a very good tool to get information about what is happening at the SAI level. However if you want to monitor implementation of ISSAIs, the first question to ask is what does it mean to have implemented ISSAIs, as there is no common understanding of what that implies. Another experience IDI had with the survey was that the last time 50-% of the SAIs said they had implemented the ISSAIs and what they meant was that they had adopted or decided to adopt the standards, but implementation was a long way. Whilst you can get data from the survey, it is not a good tool to get information on the implementation of the standards. This is a much more complicated topic.

159. Archana highlighted that the IDI support to ISSAI implementation is done not only through the 3i Program, but through the whole IDI program portfolio, plus the SAI-PMF. She mentioned that it would be desirable to not have a goal of an SAI being ISSAI compliant or not, but to recognize the movement towards being compliant with international standards, because this is a gradual and long journey.

160. Regarding the 3i program, Archana mentioned that its phase II just started. It was preceded by an extensive consultation with stakeholders that takes to 6 components: continue with 3i product portfolio (maintenance and development); look at certification programs; quality assurance programs; cooperative audits; community of practice and SAI level implementation support. She also highlighted the relevance of the recent signed MoU with the PSC Chair and the PSC Subcommittees to support the program.

161. Agnes Tuiari-Aruwafu, from SAI New Zealand and representative of PASAI, said that it is one of the priorities for the Regions to conduct audits according to the ISSAIs. In terms of finding a way to monitor implementation, Agnes agrees with IDI: that this is a challenge. She thinks that what we are looking for are stories. We have to capture the stories, and the Regions have best understanding of the complexities and the different levels in which SAIs have implemented standards.

162. She continued by saying that INTOSAI needs to communicate more with Regions. They are working on the ground day-to-day and can provide feedback to IDI. If a Regional Organization wants

to improve, align, and synergize with INTOSAI goals, more communication between the Region and the INTOSAI is necessary. One simple method to improve communication is the website. Agnes considers the INTOSAI site to be confusing and geared toward internal issues and added that unless you attended committee meetings you cannot fully understand what committees are trying to achieve. The website could be a mechanism to get these stories.

163. Geoffrey Simpson said that the PSC Secretariat is aware that this is an issue. The Secretariat is working to bring all the information together under one portal. Maybe one possibility would be to have a place on the site for immediate feedback. Perhaps we could explore this possibility.

164. Wynand Wentzel posed the question of what adoption of the standards means. He said that the Global Reporting Initiative has different types of adoption of standards: full adoption (you state that) or there is the option to make reference to the GRI standards (you use them in principle without full adoption). According to Wynand, ISSAI implementation is challenging. If therefore posited if the INTOSAI community could consider that instead of trying to go for full compliance, perhaps there could be another mechanism for giving some assurance.

165. Jennifer Thomson asked about the availability of ISSAI facilitators to assist SAIs that are going through the challenges of implementation.

166. Archana Shirsat explained that the facilitators are organized as a pool that can help SAIs and the Regions with implementation. Archana said that the IDI has “stories” in performance and accountability reports about how different SAIs and Regions are using this pool. She pointed out that one of the things we need to remember is that the facilitators belong to the SAIs and their primary work is to do their own audits. Besides, this was the first time that the pool was developed. There is no common understanding of the standards within the community and, in such a short time-frame, it is very difficult to train a sufficient volume of people who can professionally speak about this.

167. One of the representatives of ASOSAI, from the SAI of China, told that they are facing challenges implementing the ISSAIs in the Region. Firstly, there is the language barrier. Not all the countries can read English, or can read but not understand clearly. Secondly, the countries have a different cultural background, financial system and political system and they cannot easily adopt some of the ISSAIs. Moreover, different SAIs have problems in interpreting and moving from words to action. ASOSAI representatives have attended many activities like the 3i Program and ASOSAI training on ISSAIs. However, it would be better if INTOSAI could send people who are setting the standards to the Region to help in training initiatives. It would allow the ASOSAI auditors to know better the real essence of the ISSAIs. In addition, it would allow the ASOSAI to know how to implement them and how to adapt or base national standards on them.

168. Wynand Wentzel said that, in AFROSAI-E, they have been doing self-assessment on the levels of ISSAI compliance for a number of years and about 30% of SAIs have reached level 3, which is just the basic level of compliance. The challenge is you can train individuals, but how are you doing in the broader community? In AFROSAI-E, there are about ten and a half thousand regularity auditors. You may be able to train fifty people and the challenge for them is to go back to their offices and implement the methodologies. INTOSAI needs to look at support structures. Whilst there are well-trained people, the challenge is going back to your organization and convincing your auditor general to change the methodology. This way of doing things is working, but it is also a challenge to reach the whole community.

Closing remarks and adjournment

169. Mme Lamarque thanked Minister Carreiro for providing such a good team for the organization of the event. In her opinion, through the decisions made during the meeting, the PSC Steering Committee had taken significant steps.

170. She noted that the PSC SC set a solid foundation for the work that still has to be completed, without ignoring the complexity and time scale of some of these tasks. The PSC SC has shown itself to be a professional, transparent and effective body, of which the whole INTOSAI community can be proud.

171. She thanked all those that participated by presenting papers, by delivering speeches by participating in discussions. All have helped to make the meeting such a success.

172. Mme Lamarque announced that **the next meeting will take place in Luxembourg** and that the European Court of Auditors will be very pleased to welcome the Steering Committee members, **on 30th and 31st May 2018**, for the 15th meeting of the PSC-SC. The discussions would be resumed and the PSC SC would be able to take a step further forward to achieving all of our goals.

173. On behalf of the delegates, Mme Lamarque conveyed the best thanks to President Raimundo Carreiro and to the team responsible for the organization of the Meeting.

174. Rafael Torres also thanked the team for the organization and the delegates for their contribution. He wished all a safe return home.