PSC benchmarking of standard setters - version for the PSC Steering Committee's meeting 20-22 May 2014

Introduction

The second component of the evaluation of INTOSAI's standard setting is a benchmarking of INTOSAI's standard setting processes and capabilities against a range of other standard setters or other relevant organisations. The benchmarking is based on publicly available information.

The purpose of the benchmarking is to compare the key elements of different standard setting models in order to get inspiration and inputs to the further development of INTOSAI's own standard setting.

In this document the first results of the benchmarking are presented. In the continued evaluation process it may be relevant to seek further information in relation to any specific aspects where INTOSAI may aim to improve its standard-setting. At that stage, it may also be relevant to broaden the scope of the benchmarking and include any other organisations that may be relevant with regard to such aspects.

Benchmarks

The following benchmarks have been selected so far – representing established and generally recognized auditing standard setters:

- IAASB (ISA and other standards)
- IIA (IPPF)
- GAO (Yellow Book)

In addition to these the INTOSAI GOV 9200 - *The importance of an independent standard-setting process* has been selected as a benchmark. INTOSAI GOV 9200 is a document approved by INTOSAI in 2010 describing the importance of and the elements in an independent standard-setting process. Although the INTOSAI GOV is formulated to describe standard setting for accounting standards, the elements are mostly generic and could be used to describe any standard setting process.

Elements compared

The following elements of the selected standard setters have been compared:

1. Inputs from external stakeholders?
2. Oversight body?
3. Who decides the content of the standards?
4. Who develops the drafts?
5. Administrative support?
6. Financing?
7. Implementation support?
8. Responsiveness?
9. Transparency?

Table 1 presents a simplified overview of the preliminary benchmarking observations.

Table 1. Overview of benchmarking observations

Element	INTOSAI	IAASB	IIA	GAO	INTOSAI GOV 9200
Inputs from external stakeholders?	Limited (3 external observers in PSC)	Yes	Yes	Yes	Yes
Oversight body?	Formally yes (Governing Board)	Yes	Yes	(Yes)	Yes
Who decides the content of the standards?	Approval by 1 of the 3 Steering Committees with appointed membership – PSC, CBC or KSC. (In practice Sub-committees or drafters have the main influence)	Board – IAASB 17 members and full-time chair.	Board – IIASB Minimum 14 members.	GAO Input from Advisory Council and GAO audit standard team.	Independent selection procedure for members of standard-setting body.
Who develops the drafts?	Subcommittees and project groups with open SAI membership. (In practice the chairs or any members volunteering)	Task Force with IAASB member as team leader. Secretariat assists drafting.	Project team with team leader.	GAO audit standards team.	Standards usually developed w input from a task force and experts.
Administrative support?	Limited No support to project groups or drafting.	Yes	Yes	Yes	Adequate resources should be available.
Financing?	In-kind No funding of expenses	Yes	Yes	Yes (employees)	Adequate resources should be available.
Implementation support?	IDI, subcommittees, PSC Secretariat	Yes	Yes	Yes	N/A
Responsiveness?	Some degree	N/A	Yes	Some degree	Yes
Transparency?	Yes (due process)	Yes	Yes	Yes	Yes

In the following tables 2 – 10 the selected benchmarks are compared in regard to each element of the standard-setting process. A summary observation is provided in the top column and more details on each standard setter are provided in the columns below.

Table 2. How do standard-setters receive input from external stakeholders?

All benchmarks find it important to seek input from relevant stakeholders in the standard-setting process. Both GAO, IAASB and the IIA has formalized the stakeholder input in permanent advisory bodies. The tasks of the advisory bodies differ to some degree – they may have the role of reviewing and commenting the content of the standards and/or assessing whether the due process has been adequately followed.

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

The Advisory Council on Government Auditing Standards is the main advisory panel for Generally Accepted Government Auditing Standards. The Comptroller General of the United States appoints the Advisory Council on Government Auditing Standards to review the standards and recommend necessary changes. The Council includes experts drawn from: federal, state, and local government; the private sector; and academia.

The views of all parties are thoroughly considered in finalizing the standards. Advisory Council members serve four year terms and may be reappointed by the Comptroller General.

IAASB – International Standards on Auditing (ISA)

The IAASB Consultative Advisory Group (CAG): Representatives of regulators, business and international organizations, and users and preparers of financial statements. IFAC invites relevant parties to appoint a representative (INTOSAI represented).

The CAG comments on new drafts at all stages in the development of new standards.
The CAG chair participates in the IAASB. In addition the IAASB includes a few permanent observers with speaking rights representing special stakeholders (e.g. regulators from main markets such as the US, EU and Japan)

The IIA – International Professional Practices Framework (IPPF)

IPPF Oversight Council (IPPFOC) evaluates and advises on the adequacy and appropriateness of The IIA's IPPF standard- and guidance-setting processes. Sample based evaluations are performed on whether the Due Process is followed in concrete cases.

Stakeholder organizations represented in the council are appointed by The IIA Board of Directors. These represent boards, management, public and private sector auditors, regulators and government authorities, investors, and international organizations, as well as IIA members selected by The IIA Board of Directors. Participation is re-confirmed by The IIA every three years (maximum period of 6 years except chairman – 9 years).

The council has a maximum of eleven members. The council may invite a number of non-voting observers.
Responsibilities of the oversight council:
a. Evaluate the rigor of IPPF mandatory guidance-setting process prior to its approval
b. Evaluate procedures for IPPF strongly recommended guidance-setting and determine whether they represent internationally accepted practices.
c. Recommend improvements to the processes
d. Review the process by which work plans are set and the content of those plans.
e. Recommend additions to the content of the work plans
f. Review the charters of the IPPF standards- and guidance-setting committees of The IIA.
g. Communicate in the council's annual report on the processes.

Good practice according to INTOSAI GOV 9200

Stakeholders' acceptance of the standard-setting process is important. Financial information users must be confident that, when the accounting standards are drafted, input is sought from all stakeholders, including preparers of financial statements, auditors, regulators, and other stakeholders. Ongoing discussion among stakeholders about the various implementation issues they encounter is important. If accounting standards are to have continuing relevance and use, stakeholders need to learn from each other's' experiences, and different points of view must be discussed and dealt with sensibly.

Table 3. Oversight body?

All benchmarks include an oversight function. In the GAO the responsibility for oversight ultimately lies with the Comptroller General. In IAASB and the IIA oversight functions are placed in bodies including representatives of external stakeholders.

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

Generally Accepted Government Auditing Standards are promulgated by the U.S. Government Accountability Office (GAO), an independent agency that works for the U.S. Congress. The head of GAO, the Comptroller General of the United States, is appointed to a 15-year term by the President from a slate of candidates Congress proposes.

Government Auditing Standards revisions undergo an extensive, deliberative process, including public comments and input from the Advisory Council on Government Auditing Standards and the GAO Audit Standards Team. GAO considers all Government Auditing Standards comments and input from the GAO Audit Standards Team and the members of the Advisory Council in finalizing revisions to the standards.

IAASB – International Standards on Auditing (ISA)

A standard is not considered finally issued before the Public Interest Oversight Board (PIOB) concludes that due process has been followed. Members are nominated by international institutions and regulatory bodies

Matters over due process: The IAASB assesses the matter and seeks an appropriate solution. The solution is communicated to the PIOB as well as the party raising the matter.

The IAASB Chair appoints 4-6 IAASB members who form the IAASB's steering committee.

The IIA – International Professional Practices Framework (IPPF)

Overall responsibility lies with the IIASB (International Internal Audit Standards Board).

The Ethics Committee checks the consistency of new / revised standards with the IIA Code of Ethics.

The oversight council (IPPFOC) reviews the conformance with the due process (see above).

Good practice according to INTOSAI GOV 9200

An oversight process for the body in support of the public interest.

Table 4. Who decides the content of the standards?

A board with personal memberships are responsible the content of the standards in both IAASB and the IIA. The members are appointed according to rules and criteria to ensure adequate qualifications and that the board represents key sectors/regions/backgrounds. Membership is time limited. In the GAO it is ultimately the Comptroller General that determines the content of the standards.

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

Generally Accepted Government Auditing Standards are determined by the Comptroller General of the U.S. Government Accountability Office, with input from the members of the Advisory Council and the GAO Audit Standards Team. GAO also considers public comments and input when determining the contents of the standards.

IAASB – International Standards on Auditing (ISA)

A board with a full-time chair and 17 members (the IIASB) are appointed by the IFAC organization's governing board based on recommendations from a nominating committee. Appointments are also approved by the PIOB. Members are drawn from a list of candidates nominated by IFAC's member organizations throughout the world (3 members are found else-where – this includes a member from INTOSAI). A set of criteria defined to ensure representative/diverse composition. Selection is done on basis of CV and a personal interview to ensure that all members are qualified.

Membership is time limited (3 years maximum) and rotates so 1/3 is changed each year. Each member is assisted by a technical advisor with speaking rights. This also works to improve continuity. Member performance is evaluated.

IAASB meets 4 times yearly for 4-5 days each time. Key issues in each standard are discussed (and often voted on) issue by issue in order to give directions to the drafting process. This is done on basis of draft standards and supporting papers that highlight different alternatives on how the requirements to the auditors on a given matter can be formulated.

The exposure draft is released by a formal vote of approval by voting in favor the member indicates that the draft would form an acceptable standard as it stands. The final vote to issue a standard is taken on the basis of a paper outlining all main issues in the exposure process. Approval of exposure drafts, re-exposure drafts, and final standards is made by the affirmative vote of at least two-thirds of the members.

The IIA – International Professional Practices Framework (IPPF)

A board (the IIASB) comprised of a minimum of 14 members representative of the profession and stakeholders. The chairman and members must be certified internal auditors. The composition of the IIASB includes representatives from a cross-section of geographic areas and industries, with considerations for the skills, experience, and languages needed to carry out the work of the IIASB. A minimum of 2/3 of the IIASB members must be present to constitute an official meeting, and 2/3 affirmative votes of those who are present is needed for an approval.

The IIASB has the overall responsibility for developing, issuing and maintaining the standards in accordance with the due process. This includes monitoring the environment so that the standards are current and relevant (based on inputs from various other committees or other sources). The IIASB:
- Assigns a project team and a team leader for a revision / development process.
- Review and comment on recommendations from the project team
- Discuss and vote each change or new standard
- Approve on exposure drafts and prepare rationale for each proposed change.
- After review of exposure comments – discuss/vote on the final standards. Vote on the need of re-expose if significant changes.
- Vote and approve final release of standards.

Good practice according to INTOSAI GOV 9200
The standard-setting process must be rigorous, transparent, objective, and participatory. An independent standard-setting body ensures that the standards are not arbitrarily changed to suit the preferences of the current management, which could potentially result in inconsistent or misleading financial statements.

A process for the selection of independent members of the standard-setting body and for monitoring their performance and a conflict of interest policy should be in place. The standard-setting body should be independent in both fact and appearance.

Table 5. Who develops the drafts?

Task forces or project teams develop or revise standards in all selected benchmarks. In the case of GAO a permanent Audit Standards Team develops the standards whereas in IAASB and the IIA a project team or task force is established for the specific purpose. In the case of IAASB the task force is chaired by an IAASB member. The task forces or project teams consist of qualified experts (auditing, methodology, standards).

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

Generally Accepted Government Auditing Standards are primarily developed and drafted by the GAO Audit Standards Team, with many years of financial and performance audit backgrounds, in addition to specialized knowledge on auditing standards. After approving the standards with input from the members of the Advisory Council, they are promulgated by the U.S. Government Accountability Office, led by the Comptroller General.

Generally Accepted Government Auditing Standards incorporates by reference the American Institute of Certified Public Accountants Statements on Auditing Standards and Statement on Standards for Attestation Engagements with additional requirements for performing financial audit and attestation engagements in accordance with Generally Accepted Government Auditing Standards. Additionally, there is further input from GAO's internal experts including GAO's Audit Policy and Quality Assurance, Office of General Counsel, and Applied Research and Methods teams.

Government Auditing Standards are revised approximately every four years to respond to changes in the federal auditing environment.

IAASB – International Standards on Auditing (ISA)

When IAASB starts a new project to develop or revise a standard it establishes a Task Force for the purpose. A task force is chaired by an IAASB member. It includes sufficient members/technical advisers from the IAASB to represent main points of view, but can also involve people from other fora or special experts. INTOSAI has often been represented by experts appointed by the FAS chair. Task forces work through telephone and mail as well as physical meetings (often in connection with IAASB meetings). The task forces:
- conduct research and consultations into the issues that needs to be considered (e.g. questions over the costs of compliance for different solutions in the standards)
- identify the issues that needs to be solved by the IAASB
- develop the drafts in all technical details as directed by the IAASB in order to gain the affirmative vote needed.

The IIA – International Professional Practices Framework (IPPF)

When IIASB starts a new project to develop or revise a standard it assigns a project team and a team leader.
The project team:
- Researches the topic and propose recommendations (a draft standard) to IIASB
- Revise the draft standard based on IIASB comments
- Review and analyze exposure results and comments and recommend disposition to IIASB.

The project team members are qualified internal audit professionals.
Participation in project teams and committees are primarily on a voluntary basis and funded by the participants' companies.

Good practice according to INTOSAI GOV 9200

Exposure drafts of new or revised standards are usually developed with input from a task force and from subject-matter experts.

Table 6. Administrative support?

All selected standard-setters rely on administrative support. In the case of GAO, the support is provided by GAO staff. In the case of IAASB and the IIA administrative support is provided by full-time employed staff with specific responsibility for standard-setting and more general secretarial support provided by the IFAC and the IIA organizations.

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

Generally Accepted Government Auditing Standards are promulgated by the U.S. Government Accountability Office (GAO). Administrative support is provided by the GAO Audit Standards Team, the Advisory Council Coordinator, GAO Publishing, GAO Web Operations Staff and the Government Printing Office (GPO).

Generally Accepted Government Auditing Standards incorporates by reference the American Institute of Certified Public Accountants Statements on Auditing Standards and Statement on Standards for Attestation Engagements with additional requirements for performing financial audit and attestation engagements in accordance with Generally Accepted Government Auditing Standards.

IAASB – International Standards on Auditing (ISA)

IAASB is one among 4 standard setting boards and a wide range of other activities supported by IFAC's secretariat of XX persons. Around XX staff years is used on the IAASB.

The IFAC Executive director, Professional Standards has a general responsibility for IAASB and the 3 other boards (ethics, education and public sector accounting standards). The IAASB Technical Director is responsible for IAASB related activities. These and other senior staff participates in the IAASB meetings to advice the committee and supports the chair between meetings.

Staff of the IFAC's secretariat undertakes drafting work for the various task forces under direction of the task force chair (and in the concluding phase also the IAASB chair)

The IIA – International Professional Practices Framework (IPPF)

Every committee (and project team?) has at least one full-time employed secretary.

IIA staff is responsible for:
- Preparing and handling the exposure process, including consolidation of exposure report.
- Release and marketing

Good practice according to INTOSAI GOV 9200

Adequate resources and sufficient technical expertise, skills, and experience should be available.

Table 7. Financing?

The standard-setting work of all benchmarks is financed, but the financial models differ. In the case of GAO all costs of the GAO Audit Standard Team are paid by the GAO, but the external stakeholder body is only limited financed. In both IAASB and the IIA the working time of regular board members is not remunerated but some of the related cost are paid by the IFAC and the IIA organizations.

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

The GAO Audit Standards Team is employed and thus financed by the GAO. In case of the Advisory Council, limited travel and accommodation is covered by a Congressional appropriation. The Council members are not remunerated for their services.

IAASB – International Standards on Auditing (ISA)

Travel and accommodation costs of board members are covered by the IFAC organization.

The chair is remunerated by IFAC. Working time of other IAASB members is not paid (covered by the auditing firms where they are employed/partners).

The IIA – International Professional Practices Framework (IPPF)

Professional Practices Expenses in the IIA amounted to $ 1,936,354 for the financial year 2012 and includes the direct and indirect costs of creating and maintaining authoritative guidance organized in the International Professional Practices Framework.

Participation in project teams and committees etc. are primarily on a voluntary basis and funded by the participants' companies.

Good practice according to INTOSAI GOV 9200

Standard setters should be free from undue funding pressures. They should not be dependent on political or corporate largesse and they should not be unduly influenced by special interest groups or significant economic players that want to paint a particular financial picture.

Adequate resources and sufficient technical expertise, skills, and experience should be available.

Table 8. Implementation support?

All benchmarks have comprehensive implementation support systems established. Implementation tools include: websites with guidance resources, technical assistance units, monitoring programs, practice guidance documents, Q&A, training events and seminars, certification in best practice, etc.

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

GAO has a website dedicated to providing resources for the auditing and accountability community, which contains links to the GAO/PCIE Financial Audit Manual (FAM), Generally Accepted Government Auditing Standards (Yellow Book), GAO Federal Information System Controls Audit Manual (FISCAM), Best Practices for Government Programs and Activities, and other auditing and accountability hyperlinks.

GAO has also established a GAGAS TECHNICAL ASSISTANCE phone number and email address for technical or practice questions regarding GAGAS.

IAASB – International Standards on Auditing (ISA)

IFAC runs a implementation monitoring program focused on obtaining feed-back for each new standard on whether:
- There were any areas of difficulty regarding the use of the standards;
- Whether there was a need for additional guidance; or
- Whether other actions were needed to facilitate the successful implementation of those standards.

In addition to standards the IAASB/IFAC provides:

Practice guidance – non-binding guidance approved by the IAASB

Staff Audit Practice Alerts and Staff Questions & Answers: these are issued in **response to emerging issues. Can be** provided on a short notice (days, weeks or months) but because they are only written by the IAASB/IFAC-staff and not approved by the IAASB they have no formal authority.

The IIA – International Professional Practices Framework (IPPF)

The IIA provides a wide range of guidance tools and resources.
It is mandatory for members of the IIA to follow the standards.

In addition to the mandatory standards the IIA provides the following "strongly recommended guidance":
Position papers, Practice Advisories, Practice Guides.

And in addition the IIA provides guidance resources to help internal auditors implement best practices including advisories, guides, papers and tools. The IIA organizes training events and seminars.

A main source of income for the IIA is a wide-ranging certification programme for internal auditors where internal auditors are certified in best practices based on IIA's standards and guidance.

Good practice according to INTOSAI GOV 9200

N/A

Table 9. Responsiveness?

The systems to receive feedback on the standards from users differ. In the case of GAO the technical assistance unit provides feedback based on the questions and responses received. In the case of the IIA several committees monitor and provide inputs regarding the need for revisions of the standards.

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

GAO has established a GAGAS TECHNICAL ASSISTANCE phone number and email address for technical or practice questions regarding Generally Accepted Government Auditing Standards, and these mediums provide feedback to GAO on areas of particular concern to practitioners.

Additionally, the GAO Audit Standards Team has developed a GAGAS Technical Assistance Log to track questions, responses, and to identify trends and challenges in the government audit community. Monthly summaries of the GAGAS Technical Assistance activities are forwarded to GAO management for review, and to assist in identifying trends and challenges in the government audit community.

IAASB – International Standards on Auditing (ISA)

N/A

The IIA – International Professional Practices Framework (IPPF)

The IIASB has overall responsibility for monitoring the environment in order to ensure that the standards are current and relevant.

Several committees monitor and provide input to the IIASB, i.e:
Professional Issues Committee, Public Sector Committee.

All members of the IIA are encouraged to provide input as well.

Good practice according to INTOSAI GOV 9200

A transparent process to identify and prioritize changes to the standards.

A standard setter must be accountable for the timely maintenance of standards, for transparency in standard setting, and for meeting the public's needs.

Table 10. Transparency?

All benchmarks have exposure periods for new or revised standards of minimum 90 days. The comments received and the conclusions of the standard-setter with respect to the received comments are made public. A wide range of process documents are also made public, with some differences between the standard-setters.

GAO – Generally Accepted Government Auditing Standards (Yellow Book)

Generally Accepted Government Auditing Standards are issued in DRAFT form with a 90 day exposure period

A GAO Audit Standards Team staff prepared summary explains the major changes and a prepared summary describes the technical changes. The Advisory Council webpage contains archives of members, major decisions, meeting agenda, and basis for conclusions on the standard.

The GAO provides the following information to the public:
• Extant Government Auditing Standards
• Guidance for Understanding the New Peer Review Ratings
• Summary of Major Changes
• Listing of technical changes
• Roster of Council
• Superseded literature (for reference)

IAASB – International Standards on Auditing (ISA)

120 days exposure period.
A staff prepared basis for conclusions explains the considerations behind the IAASB's final decision on the standard.

The IAASB provides the following information to the public:
• List of current projects and project histories
• Outstanding exposure drafts and consultation papers
• Comments on exposure drafts and consultation papers
• Meeting agendas and background papers
• Minutes and audio recordings of meetings
• Copies of its annual report, strategy, and work program

The IIA – International Professional Practices Framework (IPPF)

90 days public exposure process.
Explanatory document prepared and published with the exposure draft.
Disposition document with the IIASB's conclusion with respect to comments received is posted on the IIA's website.
The complete version of new standards with highlight of changes is posted on the IIA's website.
The IPPFOC reviews the rigor of the due process (sample based testing)

Good practice according to INTOSAI GOV 9200

Meetings of standard-setting body should be public.
All interested stakeholders are encouraged to comment on the draft standards, which are widely distributed and publicly available.
Comments are reviewed and the exposure draft is revised, as appropriate. If the revisions are substantive, a re-exposure draft may be issued.
Once approved, the new or revised standards are officially issued.