

05 May 2018

Minister Reimundo Carreiro, Presidente do Tribunal de Contas da União, INTOSAI PSC Chair

Mr Rajiv Mehrishi, Comptroller & Auditor General of India, INTOSAI KSC Chair

Mr. Kimi Makwetu, Auditor General of South Africa, INTOSAI CBC Chair

Dear Goal Chairs

Subject: Proposed process for developing the next Strategic Development Plan (SDP) for the INTOSAI Framework of Professional Pronouncements (IFPP) and criteria for prioritising projects

The XXII International Congress of Supreme Audit Institutions (INCOSAI), held in Abu Dhabi in December 2016, introduced two significant changes for INTOSAI's standard setting.

Firstly, it endorsed the proposal to restructure the INTOSAI framework of professional standards, originally adopted in 2007, as the INTOSAI Framework of Professional Pronouncements (IFPP). The revised IFPP seeks to clarify the requirements Supreme Audit Institutions (SAIs) must meet to claim compliance with the International Standards of Supreme Audit Institutions (ISSAI), placing ISSAI 100—the fundamental principles of public sector auditing—at its centre¹. It also explains the framework's scope with revised and refined classification principles and criteria as well as introducing a clear distinction between the INTOSAI Principles (INTOSAI-P), the standards (ISSAI) with which SAIs must conform to claim ISSAI compliance, and Guidance (GUID).

Secondly, the INCOSAI endorsed a number of substantial revisions to its due process, the procedures by which it issues professional standards and other pronouncements. Two key changes to due process are:

- the creation, on a permanent basis, of the Forum for INTOSAI Professional Pronouncements (FIPP) as a body of experts appointed to act in the interest of the full INTOSAI membership and promote public sector auditing of a high quality to the benefit of users of SAI audit reports, as well as the general public²;
- the introduction of the strategic development plan (SDP), which is "*a general strategy and working plan for the development of the framework towards a clear, consistent and adequate set of professional pronouncements*"³.

In the run-up to the 2016 Governing Board meeting and the INCOSAI that followed immediately after, in view of the limited time available, FIPP proposed and the PSC-SC (including the chairs of the CBC and KSC) approved a first SDP covering 2017 to 2019 with only limited consultation. This plan, which largely focuses on putting in place the revised IFPP, is presently being implemented. Work has now started to prepare the second SDP.

¹ Particularly, when an SAI is seeking to claim compliance under paragraph 10 of ISSAI 100 – by adopting "*the General Auditing Guidelines as their authoritative standards*".

² FIPP assesses and approves professional pronouncements in accordance with due process. To do this, it follows and facilitates the development of individual draft pronouncements, ensures their technical quality and consistency as appropriate and approves their inclusion in the IFPP before they are presented to the INTOSAI Governing Board by the relevant committee for endorsement

³ All quotations in this and the following section are taken from "Due process for INTOSAI's framework of professional pronouncements", 2016, English-language version, page 4. See http://psc-intosai.org/en_us/site-psc/psc/due-process/

The requirements of due process

As well as defining the SDP (as mentioned above, as “a general strategy and working plan for the development of the framework towards a clear, consistent and adequate set of professional pronouncements”), due process states that “Decisions on the organisation of the planning process and the content of the plan shall be taken by the PSC Steering Committee with the consent of the chairs of the CBC and the KSC and shall be based on proposals elaborated by FIPP”.

The SDP assembles “all initiatives to develop, revise or withdraw professional pronouncements”. Furthermore, “Any INTOSAI member or other interested parties may provide suggestions in this regard for consideration and prioritisation in the planning process”. In effect, the SDP is the vehicle for launching projects to revise, withdraw or create new professional pronouncements in the IFPP. There is no requirement that these projects are completed within the time period of the SDP concerned.

The procedure for drawing up the SDP includes the following:

- “... public consultations to encourage input from interested parties as a minimum every three years”;
- “The PSC and the chairs of the CBC and KSC ascertain that all relevant needs are addressed by the strategic development plan in line with objectives 1, 2 and 3 of INTOSAI’s strategic plan”; and
- “The PSC consults with all affected parties before the plan is finalised⁴ and presented to the INTOSAI Governing Board for endorsement”.

In view of the above due process requirements, FIPP has developed three proposals for the organisation and content of the next SDP. These are outlined in the sections below covering:

- the steps and timetable for the proposed process;
- the technical organisation of the proposed process; and
- the shortlisting criteria that FIPP will use when examining suggestions.

Steps and timetable for the proposed process for drawing up the next SDP

FIPP’s proposal for the steps and timetable for drawing up the next SDP, which is in full accordance with the requirements of due process, is set out in detail in annex 1. This proposed timetable takes account of the date of the Governing Board meeting - September 2019 - at which the SDP must be endorsed. It is broken down into four phases – “scanning”, “gathering inputs”, “development” and “approval” – each with a number of steps.

Within the “scanning” phase, FIPP has already completed the work foreseen and the results of this are set out in the next section.

In the “gathering inputs” phase, FIPP proposes that inputs are sought from three distinct sources:

- the PSC secretariat would invite the INTOSAI community and stakeholders for inputs based on a consultation paper to be prepared by the goal chairs on the basis of FIPP inputs;
- PSC, CBC and KSC subcommittees and working groups would review needs within their areas of expertise and elaborate suggestions for the SDP; and
- FIPP would carry out a cross-cutting review of the consistency, clarity and adequacy of the IFPP.

Lessons have been learned from the experience of the implementation of the first SDP. For example, at its meeting on 8-9 June 2017, the PSC-SC requested that FIPP ensures that sufficient information on projects is provided in the SDP to ensure that they can be fully understood. As a result, FIPP drew up a number of

⁴ In the paper on FIPP governance, the PSC-SC **approves** the strategic development plan at this stage

scoping papers for individual projects. FIPP now proposes that the “development” phase for the next SDP includes a step by which it carries out an initial scoping of potential projects, covering the project’s scope and resource requirements.

Action 1 - FIPP invites the PSC-SC and the chairs of the CBC and KSC to endorse FIPP’s proposal for the steps and timetable for the proposed process for drawing up the next SDP as set out in annex 1.

The technical organisation for the proposed process for drawing up the next SDP

As mentioned above, FIPP has already carried out a comprehensive scanning exercise to identify nine focus areas around which the public consultation for the next SDP can be organised. This scanning exercise covered the following sources:

- the INTOSAI strategic plan, 2017 – 2022;
- the INTOSAI regions;
- the Global SAI Stocktaking report;
- the Global Audit Leadership Forum (GALF);
- the 2014 PSC Evaluation Report;
- the work carried out to develop the 2017 – 2019 SDP;
- INTOSAI’s Supervisory Committee on Emerging Issues (SCEI); and
- current development activities of the International Federation of Accountants (IFAC) and of the Institute of Internal Auditors (IIA).

The focus areas are set out in annex 2, along with some examples of issues that might be considered and some questions that are designed to guide contributors’ reflections. We stress that the aim of the focus areas is to better structure the consultation process, not to restrict it: in the consultation paper, the goal chairs should encourage potential contributors to put forward any suggestions that they might have, regardless of whether they “fit” into these focus areas.

The inputs gathered through this broad and inclusive process in the INTOSAI community, and among external stakeholders, will serve to inform the judgements that FIPP and the PSC Steering Committee will need to make for priorities in the development and approval phase. We are therefore encouraging general inputs from INTOSAI’s membership and stakeholders on the current challenges and needs of SAIs as well as more specific suggestions on future pronouncements. We also suggest encouraging contributors to provide an indicative ranking of the areas identified them as focus areas either from annex 2 or otherwise, in order of priority of needs.

The process of gathering input will also serve an important opportunity to increase awareness of the IFPP among SAIs. It will therefore be beneficial to introduce the concept of INTOSAI Principles, ISSAIs, GUIDS and COMPs, as well as the non-IFPP documents in the invitation letter. It may also be relevant to make detailed information on pronouncements in the pipeline, and planned content of the IFPP by 2019, publicly available through issai.org or other means. This would aid contributors in assessing the needs for further development of the pronouncements through new projects launched in 2019-2022.

To facilitate the process of analysing and shortlisting, the PSC secretariat has agreed to draft a template that contributors could use when providing input; the goal chairs have also offered to screen and organise the inputs obtained.

A separate communication may be sent to the subcommittees and working groups, in order to obtain their suggestions within their respective areas of expertise, on future projects to revise existing or new INTOSAI Principles, ISSAIs, GUIDs and COMPs.

Action 2 - FIPP invites the goal chairs to organise the public consultation for the next SDP around the focus areas identified by FIPP as set out in annex 2 and through a separate communication to subcommittees and working groups asking for their suggestions, within their area of expertise, for improvements in the IFPP.

The shortlisting criteria that FIPP will use when examining suggestions

Due process sets as an objective for the SDP that it leads to a set of professional pronouncements that are clear, consistent and adequate. Thus clarity, consistency and adequacy will be the three over-arching criteria that FIPP will use to examine suggestions for projects to be included in the SDP.

FIPP will work to develop an objective assessment system that it will finalise at its next meeting in August 2018, based on these three due process requirements.

Each suggestion will need to pass a “gateway” test – that it is consistent with ISSAI 100 and with the overall conception of the IFPP - if it is to be considered further.

Furthermore, FIPP will also consider the capacity across the INTOSAI community to deliver the projects. There is a need to examine the impact upon all INTOSAI subcommittees and working groups. However, experience of implementing the first SDP suggests that attention must be given to the resource capacities of FAAS, PAS and CAS, as well as FIPP itself. For FIPP, this includes an urgent need to obtain technical support.

Action 3 - FIPP invites the PSC-SC and the chairs of the CBC and KSC to take note of the orientations that FIPP is using to develop objective criteria for shortlisting potential projects for the next SDP.

Whilst FIPP will develop these criteria under its own responsibility, we would welcome any guidance that the PSC-SC and the chairs of the CBC and KSC might wish to offer.

Summary

In close collaboration with the representative of the PSC secretariat who sits as an active observer at its meetings, FIPP has been working on preparing the next SDP since its fifth meeting in July 2017 in Ottawa. It now invites the key actors to take the three actions set out in the following table:

Action #	Action	Responsible		
		PSC Steering Cttee	CBC & KSC chairs	Goal chairs
1	To endorse FIPP’s proposal for the steps and timetable for the proposed process for drawing up the next SDP as set out in annex 1.	X	X	

2	To organise the public consultation for the next SDP around the focus areas identified by FIPP as set out in annex 2.			X
3	To take note of the orientations that FIPP is using to develop objective criteria for shortlisting potential projects for the next SDP.	X	X	

FIPP assures its support to the goal chairs for the successful culmination of the SDP planning process.

With high regards

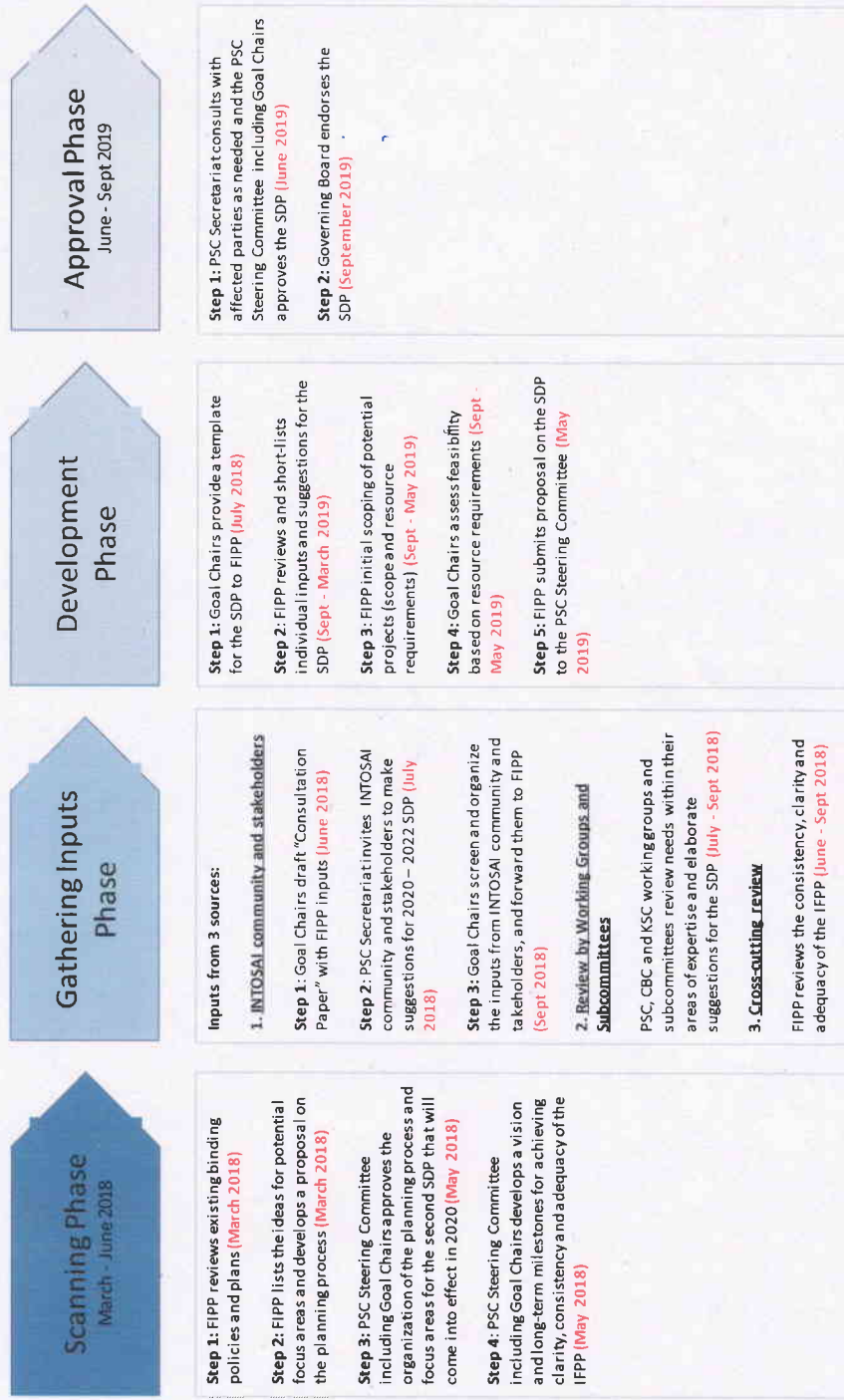


Ganga Kapavarapu

FIPP Chair

ANNEX 1

Process for developing the next Strategic Development Plan (SDP) for the INTOSAI Framework of Professional Pronouncements (IFPP)



Annex 2 - Focus areas where input is invited from INTOSAI members and stakeholders

Headline	Observation	Examples	Questions
1) Enhancing ISSAIs implementation by SAI's	SAI's are facing challenges in the implementation and application of ISSAIs. <i>There could be many different ways to enhance the implementation of the ISSAIs. For example:</i>	<ul style="list-style-type: none"> ➤ Encouraging SAIs to comply with, or use, standards consistent with the ISSAIs ➤ Linking capacity development to implementation ➤ Addressing resource issues, <i>i.e. affordable training</i> ➤ Considering how the pronouncements could be improved to better facilitate ISSAI implementation 	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> ➤ What is the definition of what constitutes "implementation" and "consistency" within the ISSAIs? ➤ How do we achieve successful implementation of the ISSAIs in your SAI? ➤ How can INTOSAI's guidance be further developed in order to better facilitate the implementation of the ISSAIs?
2) Issues Specific to Public Sector Auditors/SAIs	INTOSAI pronouncements should address the specific efforts and issues of public sector auditors and SAIs. <i>Some examples of these efforts and issues could be:</i>	<ul style="list-style-type: none"> ➤ Evaluation of fraud risk, investigation of irregular or improper payments in government ➤ Performance audits – economics, efficiency, effectiveness in the government ➤ Compliance auditing in the public sector ➤ Contracting of public service audits ➤ Audits for "whole of government" (financial, national level audits, SDGs, etc.) ➤ Financial assurance and long term financial sustainability ➤ Audit/evaluation of auditee's ethics program, culture, organizational behaviour 	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> ➤ Are there existing guidelines which can be revised or enhanced to better address these issues? ➤ Is there a need to produce new guidelines to respond to these issues?
3) General applicability of the IFPP for SAI's	Pronouncements should be generally applicable and sufficiently relevant across SAI models and regions. <i>The IFPP therefore need to accommodate the greater diversity amongst SAIs. For example:</i>	<ul style="list-style-type: none"> ➤ Small SAIs and small countries ➤ SAIs with, as well as without, jurisdictional functions ➤ Different levels of capacity ➤ Different mandates 	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> ➤ Is there a need for new principles, standards, or guidance to help SAIs address such issues? <ul style="list-style-type: none"> ▪ If so, in what areas? ➤ Does the IFPP accommodate all SAI's regions, models, and mandates for SAIs?

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<p>4) Auditor Competency (COMP5)</p>	<p>A planned set of new pronouncements (known as COMP5) will include principles, standards and/or guidance on the competency requirements for auditors.</p> <p><i>The new COMP5 may serve SAIs in a range of different ways. For example:</i></p>	<ul style="list-style-type: none"> ➤ Assisting individual SAIs in their efforts to develop better education and auditor training programs ➤ Assisting SAIs in strengthening stakeholder confidence in their professional competencies ➤ Highlighting key requirements to public-sector auditors which differ from other requirements (<i>such as requirements for civilian/government administration or private sector auditors</i>) ➤ Providing a basis for international collaboration on training and capacity building ➤ Providing a basis for certifying auditors 	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> ➤ What would be the most important purpose(s) for developing INTOSAI principles, standards, or guidance on auditor competency requirements? ➤ What would be the most important aspects to consider for interpreting the competency requirements as a set of principles, standards, or guidance?
<p>5) Operationalizing SAI independence</p>	<p>SAI independence is an INTOSAI core principle, but many SAIs still lack financial and administrative independence.</p> <p><i>There may be different ways of operationalizing SAI independence. For example:</i></p>	<ul style="list-style-type: none"> ➤ Establishing relations/partnerships with stakeholders ➤ Strengthening professional scepticism through auditor education and ethics ➤ Protecting independence while demonstrating value and benefits ➤ Ensuring the organization's code of ethics is implemented 	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> ➤ Is there a need for new principles, standards, or guidance to help SAIs address these issues? <ul style="list-style-type: none"> ▪ If so, in what areas?
<p>6) How to improve the Quality Control and Assurance in our SAIs</p>	<p>SAIs are facing challenges in the use of the existing ISSAIs in obtaining quality assurance in audits. The organizational requirements for an SAI's quality control system were defined in 2010 by ISSAI 40, and were included in the IFPP as ISSAI 140.</p> <p><i>There may be many aspects of improving quality control. For example:</i></p>	<ul style="list-style-type: none"> ➤ Developing robust QC systems and monitoring their effectiveness ➤ QC at both the engagement and the organization levels ➤ Internal and external QA assessments ➤ developing efficient 'incentive policies' to recognize high quality work throughout the SAI 	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> ➤ Should ISSAI 40 be opened for revision or should we just have further guidance? ➤ If opened for revision, what aspects of ISSAI 40 need revision to make a future version of ISSAI 140 more relevant and user-friendly? ➤ Are there other important means to improve quality control and assurance?

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7) Audit Communications and Reporting of Audit Results	<p>SAI communications should reflect the changing environment and audience. The SAI's conclusions should be communicated timely and in a manner that is easily read and used by the audience. This may call for new effective means to communicate and innovative approaches for achieving target audiences.</p> <p><i>There may be many ways to enhance the reporting by SAIs. For example:</i></p>	<ul style="list-style-type: none"> ➤ Monitoring audit findings/recommendations efficiently and innovatively ➤ Tools for obtaining feedback from stakeholders ➤ Communicating audit findings in a digital world ➤ Publishing work on targeted platforms (social media, audio clips, videos, etc.) ➤ Simplifying messages and adjusting messages to differing target audiences 	<p>We are therefore seeking input on the following questions:</p> <ul style="list-style-type: none"> ➤ How can SAIs effectively communicate relevant information to targeted audiences in a technological environment? ➤ What are some approaches to consider? <ul style="list-style-type: none"> ▪ What potential risks are there to certain approaches? ➤ How can audit communications and results maximize and demonstrate the values and benefits provided by SAIs to the public?
8) Emerging Global Issues	<p>SAIs are continuously under pressure to respond to emerging global trends that seem to take immediate centre stage, thereby diverting the attention and resource allocation of governments.</p> <p><i>Some examples of global issues may be:</i></p>	<ul style="list-style-type: none"> ➤ Migration and Humanitarian problems ➤ Climate and environment ➤ International response to disasters ➤ Sustainable Development Goals 	<p>We are therefore seeking input on the following question:</p> <ul style="list-style-type: none"> ➤ Do SAIs have a role in assessing and comparing how countries are performing in reference to global and national indicators? ➤ What are the emerging global issues in which INTOSAI guidance, or developed/ revised pronouncements, may be necessary?
9) New Technologies and innovative approaches	<p>Due to the constant changes within public management, SAIs face complex challenges which require a systematic, and participatory, innovation approach specified to their diverse needs; application of such approaches may call for new guidelines. A number of new technologies may also provide new challenges, as well as opportunities for SAIs; in some instances, this may call for new guidance for auditors. IAASB also has an on-going data analytics project.</p> <p><i>Some examples of new technologies and issues may be:</i></p>	<ul style="list-style-type: none"> ➤ Cyber security/data protection challenges ➤ Block chain accounting ➤ Big data – the digital revolution ➤ Cloud based mobile applications ➤ Strategies for data analytics programs ➤ Geographic information systems ➤ Innovation principles ➤ Artificial intelligence ➤ Use of data analytics in audits 	<p>We are therefore seeking input on the following question:</p> <ul style="list-style-type: none"> ➤ How do we audit around these technologies (<i>Identify, Protect, Detect, Respond and Recover and the core structure of audit around these systems</i>)? <ul style="list-style-type: none"> ▪ And who will audit around them? ➤ How do new technologies and innovations disrupt the current status quo in the world of audit? ➤ Do we need to produce or revise existing guidelines or an ISSAI to respond to these issues?