



# INTOSAI Professional Standards Committee

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## Progress Report Activities 2011-2013

*This is a report that presents the achievements of the PSC and the PSC Subcommittees in the mandate period 2011-2013.*

*The PSC's mandate for 2014-2016 is presented in a separate the report: "Status on Goal 1: Achievements and future challenges"*

International Standards of Supreme Audit Institutions (ISSAI)  
and INTOSAI Guidance for Good Governance (INTOSAI GOV)  
– find them on [www.issai.org](http://www.issai.org)

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## I. Introduction

The PSC's main task is developing, maintaining and promoting the International Standards of Public Sector Auditing (ISSAIs). The years 2011-2013 have been a busy period for the 71 members of the PSC.

In the years 2011-2013, INTOSAI has been establishing itself as an internationally recognized standard-setter. Through a wide range of awareness-raising activities, the PSC has been able to establish that the ISSAIs are well-known and used by SAIs around the world.

In the PSC, we constantly strive to take standard-setting to the next level. A main focus in the mandate period 2011-2013 has been the ISSAI Harmonisation Project. The revised Fundamental Auditing Principles (level 3 of the ISSAI framework) defines the essence of public-sector auditing, and creates a common platform for SAIs around the world. The new ISSAIs 100, 200, 300 and 400 set out the key concepts in public sector auditing and will serve as a common language for the INTOSAI community.

Achieving the goal of harmonising the ISSAI framework has only been possible through a collaborative effort in the PSC. Bridging the gaps between traditions, types of auditing, national differences etc. has been a challenge that had to be overcome to ensure that the outcome of the project was a set of coherent standards that cover all. Likewise, the participation of highly qualified experts from the members of the PSC Subcommittees has been key to the project's success.

The PSC is very proud to present a new set of fundamental auditing principles – ISSAIs 100, 200, 300 and 400 – for endorsement by the Congress.

With this report we celebrate the accomplishments of the PSC, its Subcommittees and Project Groups. I would like to express my thanks and heartfelt appreciation for all the hard work and effort from the members of the PSC. Without the contribution and expertise donated by the member SAIs, the PSC would not have been able to issue quality standards for public sector auditing. I would also like to thank the SAI of Sweden that has decided to step down as Chair of the Financial Audit Subcommittee after nine years. The SAI of Sweden has carried out an extraordinary task in developing the Financial Audit Guidelines as well as contributing to other PSC projects during their chairmanship. They have handled PSC's cooperation with IFAC extremely well, and has given an extraordinary contribution to the important task of awareness raising and knowledge sharing about the ISSAIs.

The PSC will continue to strive to develop the best possible standards for public sector auditing. Drawing on our expertise in standard setting gives us a solid foundation for taking INTOSAI's standard-setting to the next level. Our thoughts on this issue, and the proposed mandate for the PSC in 2014-2016, are presented to the Congress in a separate report.

Bettina Jakobsen  
Chair of the PSC

## II. Items for decision by the Congress

Upon reading and discussing this report, the Congress is asked to:

- Endorse:
  - ISSAI 100 Fundamental Principles of Public Sector Auditing
  - ISSAI 200 Fundamental Principles of Financial Auditing
  - ISSAI 300 Fundamental Principles of Performance Auditing
  - ISSAI 400 Fundamental Principles of Compliance Auditing
- Take note of the report from the PSC Subcommittees and Projects

### III. The PSC 2011-2013

The PSC's activities on revising and developing standards is organised in projects that are carried out in one of the Subcommittees or by a cross-cutting project group. The PSC is currently organised in five permanent subcommittees: the Financial Audit Subcommittee (FAS), the Performance Audit Subcommittee (PAS), the Compliance Audit Subcommittee (CAS), the Internal Control Standards Subcommittee and the Accounting and Reporting Subcommittee. In addition to these, several project groups have been working on developing various guidance materials in the period 2011-2013. In 2011 the PSC dissolved the project group on Transparency and Accountability (ISSAI 20), and in 2013 the project group on Audit Quality Control (ISSAI 40) was dissolved after completing its task. In light of the PSC mandate 2011-2013, the PSC has in the past three years focused its efforts on the Awareness-Raising Project and the ISSAI Harmonisation Project (ISSAIs 100, 200, 300 and 400). By the end of 2013 these groups' tasks are also completed and they will be dissolved.

In addition the PSC has established three projects: The ISSAI Harmonisation Project, The Awareness Raising Project and the Project on Audit Quality Control.

The members of the PSC meet every three years in connection with the INCOSAI. The everyday administration of the PSC is assigned to the PSC Steering Committee, whose tasks include coordination of the work of the Subcommittees and Projects. The PSC Steering Committee has 18 members and five observers. The Steering Committee consists of the chair of the PSC, the chairs of the subcommittees, a Goal Liaison, the chair of Goal 2 and Goal 3 in the INTOSAI strategic plan and representatives of INTOSAI's regional working groups. The members are: Bahrain, Brazil, Cameroon, Canada, China, Denmark, France, India, Italy, Libya, Mexico, Morocco, New Zealand, Norway, South Africa, Sweden, USA and Zimbabwe. Since the last INCOSAI in 2010, the PSC Steering Committee has met three times. On 22-24 June 2011 in Wellington (New Zealand), 30-31 May 2012 in Johannesburg (South Africa) and 17-19 June 2013 in Stockholm (Sweden).

According to the Strategic Plan of INTOSAI 2011-2016, the purpose of the PSC is to promote strong, independent, and multidisciplinary SAIs and encourage good governance, by: (1) Providing and maintaining international standards of supreme audit institutions (ISSAI) and (2) Contributing to the development and adoption of appropriate and effective professional standards.

This chapter of the report accounts for the PSC's achievements within the purpose set out in the strategic plan as well as the PSC's mandate 2011-2013, as approved by the INCOSAI XX in 2010:

- Harmonise the present collection of ISSAIs, and thereby ensure the consistency of the ISSAI Framework.
- Promote the awareness of the ISSAI Framework and pave the way for implementation of the ISSAIs and INTOSAI GOVs in SAIs.
- Continue to develop and maintain the ISSAIs and INTOSAI GOVs, observing INTOSAI's principle of dual approach in the process.

This report presents the achievements made by the ISSAI Harmonisation Project, the PSC's awareness-raising activities, the Project on Audit Quality and the PSC Subcommittees.

## IV. THE ISSAI HARMONISATION PROJECT

***The Harmonisation Project is finished  
– A new set of fundamental auditing principles for INTOSAI  
has been developed!***

The harmonisation of ISSAIs 100-400 is a strategic goal for the PSC in the mandate period 2011-2013 and the finalisation of the ISSAI Harmonisation Project marks the end of the third step towards creating a common, credible and consistent set of standards for public sector auditing.

The first step was taken in 2007 by INCOSAI in Mexico. At that time, all relevant existing and planned official INTOSAI documents and nine new ISSAIs for financial auditing were gathered in the ISSAI framework; the framework for International Standards of Supreme Audit Institutions.

The second step was taken in 2010 by INCOSAI in South Africa, where congress approved 37 new ISSAIs and thereby launched the first comprehensive set of ISSAIs. All members of INTOSAI were encouraged to use the ISSAIs as a common frame of reference for public sector auditing, measure their own performance and auditing guidance against the ISSAIs and implement the ISSAIs in accordance with their mandate and national legislation.

The third step will be the endorsement of the revised Fundamental Auditing Principles in the new ISSAI 100, 200, 300 and 400 in October 2013 at INCOSAI in China. With this endorsement, the Harmonisation Project will have achieved its overall purpose which was to provide a conceptual basis for public sector auditing that will ensure consistency in the ISSAI framework. The new ISSAIs 100, 200, 300 and 400 provide INTOSAI with an improved basis for international cooperation and the continued improvement of the ISSAIs. The new ISSAIs also provide each INTOSAI member with a clearer foundation for their individual decisions on how the ISSAIs can best be implemented and used within the national context. It will be a continued effort for the PSC and the subcommittees to ensure that the new ISSAIs are used as a basis for future revisions of the ISSAIs on level 4.

This report presents an overview of the main achievements of the project. It also explains how the endorsement of the new set of fundamental auditing principles will contribute to the continued improvement of the full set of ISSAIs, and it provides the most important insights on how the project group has conducted their work.

***This report provides the basis for INCOSAI's approval of the new ISSAIs 100, 200, 300 and 400.***

The endorsement versions of:

- ISSAI 100 Fundamental Principles of Public Sector Auditing
- ISSAI 200 Fundamental Principles of Financial Auditing
- ISSAI 300 Fundamental Principles of Performance Auditing
- ISSAI 400 Fundamental Principles of Compliance Auditing

are annexed to this report.

## The main achievements of the project

The project group and the PSC Steering Committee take pride in presenting four new ISSAIs for endorsement by INTOSAI's Governing Board and INCOSAI.

With the finalisation of the Harmonisation Project, INTOSAI now has a solid foundation in the ISSAIs for its various activities. The new fundamental auditing principles present INTOSAI's definition of public sector auditing and create a common platform for SAIs around the world. This includes the key auditing concepts that will serve as a common language for the INTOSAI community.

With the endorsement of these four new ISSAIs, INTOSAI will therefore further strengthen its position as a recognised provider of professional standards for SAIs. Rather than being technical auditing standards, they provide the overall description of the principles that guide public sector auditing

With the INCOSAI endorsement, the main results of the project will be:

- A new ISSAI 100 that sets out the fundamental principles of public sector auditing
- New ISSAIs 200, 300 and 400 that define the foundation for financial, performance and compliance auditing in the public sector
- A new set of ISSAIs (ISSAI 100-400) that define the common elements of public sector auditing
- An explanation of the authority of the ISSAIs that also explains what it means to comply with the ISSAIs.

These results are further explained below.

### ***The new ISSAI 100 sets out the fundamental principles of public sector auditing***

ISSAI 100 – The Fundamental Principles of Public Sector Auditing are expected to be the new flagship for INTOSAI in promoting public sector auditing and good auditing practice. It covers all types of public sector audits whatever their form or context. ISSAI 100 presents a definition of public sector auditing and provides the essential concepts, elements and principles that apply to all public sector audits; it can therefore be used by all SAIs, regardless of their tasks and mandate. Great efforts were made to ensure that, as far as possible, the new ISSAIs reflect the perspectives of all members of the INTOSAI family.

ISSAI 100 conveys that public sector auditing is essential in providing independent and reliable information to legislatures, oversight bodies, those charged with governance and the public. Public sector auditing enhances the confidence of intended users by providing information and independent and objective assessments on deviations from accepted standards or principles of good governance. Audits are required to be objective and results are based on findings supported by sufficient and appropriate evidence. However, due to inherent limitations, audits can never provide absolute assurance for the intended users.

The new fundamental auditing principles also improve coherence and consistency between the levels in the ISSAI framework. The new ISSAIs make consistent reference to the ISSAIs on level 1 and 2 so overlaps between them are avoided. ISSAI 100 sets out the elements of public sector auditing as well as the principles that apply to public sector auditing, both the general principles related to an audit, and the principles related to the different phases of the



audit process. In this way ISSAI 100 also provides the basis for the specific principles and concepts that are contained in ISSAIs 200, 300 and 400 and defines the three areas of auditing; financial, performance and compliance auditing that are explained further in these ISSAIs.

***The new ISSAIs 200, 300 and 400 define the foundation for financial, performance and compliance auditing in the public sector***

Whereas ISSAI 100 lays out the basic principles for public sector auditing in general, ISSAIs 200, 300 and 400 have a more targeted scope of application and contain the fundamental principles for financial, performance and compliance auditing. They also provide the core of the more detailed financial, performance and compliance auditing guidelines on level 4. Along with ISSAI 100, the key principles described in ISSAIs 200, 300 and 400 provide the basis for any further development of the guidelines on level 4.

ISSAI 200 – Fundamental Principles of Financial Auditing – provides an overview of the nature, the elements and the principles of auditing financial statements as conducted by SAIs. The principles presented are consistent with the ISAs and the Financial Auditing Guidelines on level 4, and ISSAI 200 provides references (links) to ISSAIs 1000-1999 (ISAs with practice notes), which contain the requirements for such audits.

ISSAI 300 – Fundamental Principles of Performance Auditing – defines and expresses INTOSAI’s recognition of the principles for the auditing of economy, efficiency and effectiveness. The framework for performance auditing is provided, together with the general principles for performance audits.

ISSAI 400 – Fundamental Principles of Compliance Auditing – provides an overview of the nature, the elements and the principles of compliance auditing as conducted by SAIs and thus defines and expresses INTOSAI’s recognition of the principles for auditing of compliance with authorities (laws and regulations and principles of sound public sector financial management and conduct of public sector officials).

***The ISSAIs define the common elements of public sector auditing***

It was a key priority for the project group to ensure that ISSAI 100 could be of use to all INTOSAI members. ISSAI 100 provides a common language and common concepts that describe and define public sector auditing, and thus engenders a common understanding and application of public sector auditing standards.

The section ‘Elements and the Principles of Public Sector Auditing’ in ISSAI 100 sets out the elements of public sector auditing. The purpose of public sector auditing is defined by the Lima Declaration: the concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Public sector auditing enhances the confidence of intended users by providing information and independent and objective assessments on deviations from accepted standards or principles of good governance.

All public sector audits include the same basic components. Auditing is in INTOSAI’s standards divided between financial, performance and compliance auditing. The section on elements in ISSAI 100 elaborates on the description of public sector auditing in the Lima

Declaration, and defines a set of concepts – the elements – that can be used to describe what public sector auditing is. The elements add amplification and specification to the concepts of financial, performance and compliance auditing and allow for a more technical definition of public sector auditing.

The elements define the basic framework within which public sector auditing is carried out. The elements include a definition of the three parties of an audit (the auditor, the responsible party, intended users) and their roles. ISSAI 100 defines how public sector audits can be categorized as two different types of audit engagements; attestation engagements and direct reporting engagements. In attestation engagements it is the responsible party who measures the subject matter against criteria. In direct reporting engagements – such as performance audits and certain compliance audits - it is the auditor, who measures or evaluates the subject matter against criteria.

Intended users seek confidence about the reliability and relevance of the information used as the basis for their decisions. In ISSAI 100 define that the outcome of a public audit will be a form of assurance.. ISSAI 100 defines that assurance can be communicated in two ways, depending on the needs of the users and the audit. One option is through opinions and conclusions which explicitly conveys the level of assurance. This applies to all attestation engagements and certain direct reporting engagements. Second option is through “other forms” when the auditor does not provide an explicit statement of assurance on the subject matter; this applies to some direct reporting engagements. In this case, the auditor conveys the confidence required by the user by providing explicit explanations of how findings, criteria and conclusions were developed in a balanced and logically reasoned manner, including why the combinations of findings and criteria result in a certain overall conclusion or recommendation.

The elements described in ISSAI 100 are technical concepts that can be used when writing standards, and constitute the concepts used to explain public audit and what type of audit SAIs perform. This common professional language will facilitate more efficient knowledge sharing and cooperation and add further credibility to audit reports of SAIs.

***The authority of the ISSAIs is defined in ISSAI 100,  
which also explains what it means to comply with the ISSAIs***

The new Fundamental Auditing Principles provide a common professional base for SAI’s audits. The section “Purpose and Authority of the ISSAIs” in ISSAI 100 explains the authority of the Fundamental Auditing Principles. The purpose of the section is to clarify what it means to comply with the ISSAIs and to explain how SAIs can make reference to them, thus providing a means of indicating implementation of the ISSAIs. This information has not previously been a part of the ISSAI framework.

ISSAI 100 recognises that SAIs conduct their audits according to different national, regional, or international auditing standards. Each INTOSAI member is encouraged to define its own auditing standards on the basis of the principles and its mandate. The principles can be used as a basis for developing authoritative standards in three ways: To form a basis on which standards are developed by a SAI, to form a basis on which consistent national standards are adopted or to form the basis for adoption of the General Auditing Guidelines (ISSAIs 1000-4999) as standards.

Depending on the SAI’s choice, the ISSAIs can be referred to in two principal ways:

1. audit reports may state that the audit was conducted in accordance with a national standard based on or consistent with the ISSAI Fundamental Auditing Principles
2. audit reports may state that the audit was conducted in accordance with the ISSAIs. In the latter case, the auditing guidelines on level 4 for financial, performance, or compliance auditing are applied as the authoritative standards.

By providing these two options, ISSAI 100 provides a high degree of flexibility whereby each SAI can define its own approach and use the standards relevant within its context and mandate.

SAIs should declare the standards applied in the conducting of audits and this declaration should be accessible to users of the SAI's report. SAIs are encouraged to declare which standards they applied in the conducting of audits in their audit reports, however, a more general form of communication may be used.

## **The continued improvement of the full set of ISSAIs**

The endorsement of the new ISSAIs 100-400 will have implications for the continued maintenance and improvement of the auditing guidelines on level 4 of the ISSAI framework. It will be for the PSC Steering Committee and subcommittees to consider how these implications can best be included in the Committee's and subcommittee's work plans for 2014-2016 and 2017-2019. These implications include:

- The development of the General Auditing Guidelines towards a clearer set of auditing standards
- New opportunities for more operational auditing guidelines on level 4 (ISSAIs 1000-4999)
- An accentuation of the cooperation between the Professional Standards Committee and the Knowledge Sharing Committee in improving the auditing guidelines

### ***The development of the General Auditing Guidelines towards an improved set of auditing standards***

The new ISSAIs 100, 200, 300 and 400 allow SAIs to adopt the General Auditing Guidelines (ISSAIs 1000-4999) as their auditing standards and refer to the ISSAIs in the audit reports, if they wish to do so. To some extent this is already an established practice within the INTOSAI community and is well in line with the decisions of INCOSAI in 2007 in 2010 on the ISSAIs. However, many SAIs will also prefer to adopt or develop other national standards based on the Fundamental Auditing Principles. For these SAIs the General Auditing Guidelines will continue to serve the wide range of other purposes, which the PSC identified through its Survey in 2007, before the guidelines were developed and endorsed. The drafting conventions proposed by the project group provide practical solutions on how texts on level 4 can serve these various purposes.

The Fundamental Auditing Principles provide an important basis for the development of the ISSAIs on level 4 in much the same way as they provide the basis for the development of auditing standards by the individual SAIs. The guidelines on level 4 should therefore support the general requirements defined on level 3 of the framework and the guidelines on level 4 should distinguish between requirements to the audit and any further guidance provided.

It will be an important and demanding challenge for the INTOSAI community to develop the guidelines towards an improved and more generally recognized set of auditing standards in the coming years. It will require the time, resources and processes necessary to achieve a result of high quality and wide support within INTOSAI. It will be for the PSC and its subcommittees to consider how this work can best be organized and planned in the future.

The new Fundamental Auditing Principles have an impact on the future revisions of level 4 of the ISSAI framework – both for the general auditing guidelines (1000-4999) and the guidelines on specific subjects (5000-5999). To ensure that the harmonisation continues on level 4 of the framework, the project group has developed a set of drafting conventions that should be applied to the text of all guidelines on level 4. The purpose of the drafting conventions is to ensure uniform use of concepts and writing style throughout level 3 and 4.

The drafting conventions guide, to whom the ISSAIs should be directed at and what the purpose of the guidance of the audit is. This is to ensure that the guidelines on level 4 are in compliance with the definition of level 4 in the ISSAI framework, which states that the ISSAIs on level 4 provide specific, detailed and operational guidance that can be used by the auditor on a daily basis in the conduct of auditing tasks. The drafting conventions also highlight that the guidelines on level 4 should support the general requirements defined on level 3 of the framework, and that the guidelines on level 4 should distinguish between requirements that are mandatory and further guidance that is included in the guideline for further explanation or elaboration of the requirement.

#### ***New opportunities for more operational auditing guidelines on level 4 (ISSAIs 1000-4999)***

The new Fundamental Auditing Principles create an opportunity to develop the performance and compliance auditing guidelines towards a series of more focused and more operational guidelines. The principles provide a generic description of different activities of the audit process, which can be drawn upon in the future development of guidelines.

The new Fundamental Auditing Principles also provide the elements of public sector auditing and the further concepts and principles, which can be used to distinguish between different aspects or types of compliance and performance auditing. The most general description of performance and compliance auditing and their different forms is now provided on level 3.

In the coming years it will therefore be for the PSC and its subcommittees to explore and decide on whether and how such more focused guidelines can be developed. Reinforced coordination will be needed in order to maintain and improve the consistency achieved in the ISSAIs.

#### ***The Professional Standards Committee and the Knowledge Sharing Committee should work together towards improving the auditing guidelines***

The responsibility for the ISSAIs on level 4 is currently split between the subcommittees in the Professional Standards Committees (for ISSAIs 1000-4999) and the subcommittees in the Knowledge Sharing Committee (for ISSAIs 5000-5999). This split is recognized in INTOSAI's Strategic Plan 2010-2016. The mandate of the project group includes considering the extent to which the Specific Auditing Guidelines (ISSAIs 5000-5999) can be aligned with ISSAIs 100-4999 and the general ISSAI terminology

The project group has especially considered the situation of SAIs that have adopted the General Auditing Guidelines (ISSAIs 1000-4999) as their authoritative standards and state in their audit reports that the audit has been conducted in accordance with the ISSAIs. In this case the ISSAIs developed by the KSC do not only provide valuable guidance on specific subject matters but may to some extent also influence the perceptions of the users of audit reports as well as the general recognition of the ISSAIs in the national environment.

It will be for the PSC and KSC Steering Committees and subcommittees of the PSC and the KSC to consider, how this work can best be organised and decide how the new opportunities created by the revised Fundamental Auditing Principles can be explored.

## **The project group's work**

The new ISSAIs were developed by the ISSAI Harmonisation Project group in the period from March 2011 to November 2012. The project group had particular focus on ensuring that the new revised ISSAIs should reflect the special role and functions of SAIs and that they should be useful to all members of INTOSAI.

It was significant for this project that it brought together auditing specialists from all parts of the world as well as from all three types of auditing - financial, performance and compliance auditing. One of the lessons learned from the Harmonisation Project is, that developing high-level and high quality standards that encapsulate the essence of public sector auditing requires a lot of resources, both in terms of man hours and in terms of participation of experts with previous experience in developing and writing standards.

All costs of the project were covered by the participating SAIs. Based on reactions from project group members it is the Project Chair's overall assessment that the amount of resources and work being contributed by the project group members verged on the limit of what can reasonably be expected from SAIs' voluntary contribution.

Thirteen SAIs participated in the project group. In addition to the chair (Denmark) it included members from FAS (Sweden, UK, USA), PAS (Brazil, Sweden, Austria) and CAS (Norway, European Court of Auditors, Slovakia) as well as INTOSAI's Chair (South Africa) and 1. Vice Chair (China) and the Chairs of the Knowledge Sharing Committee (India) and the Task Force on SAI's Information Database (Mexico).

The project group held five meetings for all members and the project and the draft ISSAIs were extensively discussed at two meetings of the PSC Steering Committee (Wellington 2011, Johannesburg 2012).

## **Endorsement of the new ISSAIs 100, 200, 300 and 400**

On 15 November 2012 all four draft ISSAIs were published on [www.issai.org](http://www.issai.org) for exposure until 15 February 2013. Following the exposure period, the project group reviewed all comments received, thoroughly considered the relevance of the comments and revised the ISSAIs accordingly.

The comments received to the four exposure drafts reflected a reassuringly high level of engagement by INTOSAI's members with this key stage of the standard-setting due process.

We have received a total of 1216 comments from 47 SAIs or other organisations, which has contributed significantly to the improvement of the drafts. The comments received generally express a wide support for the overall ambitions of the project and reflects that many SAIs have given the drafts developed a very thorough consideration. A full overview of comments is available on [www.issai.org](http://www.issai.org). The PSC Steering Committee approved the endorsement versions of ISSAIs 100, 200, 300 and 400 on 18 June 2013 during their meeting in Stockholm

***Motion for endorsement of the revised Fundamental Auditing Principles***

The chair of the project group moves that the Congress endorses:

- ISSAI 100 Fundamental Principles of Public Sector Auditing
- ISSAI 200 Fundamental Principles of Financial Auditing
- ISSAI 300 Fundamental Principles of Performance Auditing
- ISSAI 400 Fundamental Principles of Compliance Auditing

## V. ISSAI Awareness Raising

The ISSAI Awareness-Raising Task Force was established in Copenhagen in June 2010. The purpose of the task force was to develop various material to create awareness of the ISSAIs and how best to implement them.

The implementation of the ISSAI framework is one of INTOSAI's key priorities in its strategic plan for 2011-2016. How the SAIs want to implement the ISSAI framework is up to the individual SAI, but the chairs of Goal 1 and Goal 2 and the IDI have agreed on the ISSAI Roll-Out Model to ensure the momentum of the current awareness-raising activities. The roll-out model describes the three stages of ISSAI implementation and defines the roles and responsibilities of the PSC, the CBC and the IDI. The ISSAI Roll-Out Model was presented to and approved by the INTOSAI Governing Board in October 2011.

During the course of 2011 and 2012 the Task Force launched a number of activities aimed at creating awareness of the ISSAI Framework, and promote SAI's implementation of the ISSAIs:

- Folders and PowerPoint presentations  
Information materials and presentations about the ISSAIs and the ISSAI framework have been developed and translated into the five official INTOSAI languages. 2000 folders/folders/brochures and 150 posters have been distributed. The materials are available on the PSC website.
- Presentations  
More than 30 presentations on the ISSAIs were delivered by the PSC Chair and members of the PSC to audiences within the INTOSAI family and in connection with external events hosted by the World Bank, SIGMA, CIPFA, NATO etc.
- Articles  
Articles on the ISSAIs and INTOSAI GOVs have been featured in the INTOSAI Journal of Government Auditing regularly under the headline Spotlight on the ISSAIs.
- [www.psc-intosai.org](http://www.psc-intosai.org)  
A new page "Facilitating ISSAI implementation" has been added to the website. It is meant to provide access to information that can be helpful for SAIs that are considering adopting and implementing the ISSAIs.
- [www.issai.org](http://www.issai.org)  
Traffic on [issai.org](http://issai.org) has been monitored through Google Analytics since 2008. This service provides information on number of visits, time spend on the website, pages visited, etc.

*Number of unique visitors on [www.issai.org](http://www.issai.org)*

2008	2009	2010	2011	2012	Estimate 2013
6,495	8,947	12,729	18,402	28,620	37,000

In 2012 and 2013 the unique visitors came from approximately 197 different countries. Western and Eastern Europe are well represented and visiting the website regularly, as is North America. Less frequent visitors come from the African countries, Asian countries, the Caribbean and South America, with few exceptions – notably the countries that are heavily involved in the INTOSAI committees.

The ISSAI Awareness-Raising Task Force has throughout its work been in contact with the IDI. Following the excellent work they are doing, and the rapid start of the 3i-Programme and other initiatives in 2012, it was decided that the process had moved from the awareness-raising phase to the implementation phase. The Task Force's role was therefore completed and the PSC Steering Committee decided to dissolve the Task Force in 2012.

The PSC and the PSC Subcommittees continue to support the IDI development activities – now through the 3i-Programme – and will continue to do so in the coming years.



## VI. Project on Quality Control

### Background

At the PSC Steering Committee meeting in Bahrain in April 2007, the Steering Committee approved the establishment of a new project on audit quality control under level 2 of the framework of INTOSAI's standards and guidelines (the ISSAI framework) entitled "Prerequisites for the functioning of SAIs".

The minutes of the Steering Committee's consideration of this matter in Bahrain are as follows: "The steering committee approved of the proposed draft with the amendment that ISSAIs on audit quality control should be included under level 2".

A new project was established and given the task of drafting a proposal for new ISSAIs on audit quality control for endorsement by 2010. The numbers ISSAI 40-49 were designated to the purpose. The ISSAIs should apply to financial auditing, compliance auditing and performance auditing and be applicable by all types of SAIs (including courts) for all auditing and reporting purposes, including yearly audits for the purpose of issuing declarations as well as more extensive audit examinations for the purpose of issuing special reports to Parliament. The project should coordinate with FAS, CAS and PAS in order to ensure clarity in relation to existing and future auditing guidelines. Following the "dual approach", the project should consider the possibilities of building on material from other standard setting bodies, including e.g. the ISQC, and consider whether this should take the form of a permanent cooperation as the ones established in the field of financial auditing guidelines and internal control. The SAI of New Zealand will chair the project."

### Project team

SAIs represented on the project team were Norway, Canada, India, Austria, Luxemburg (representing the European Court of Auditors), Denmark, United Kingdom, Germany and New Zealand. The SAIs of Denmark and Luxemburg were involved in the project team between 2007 and 2012. The SAI of Germany joined the project team following the INCOSAI in November 2010.

### Project deliverables

#### ISSAI 40

ISSAI 40 was endorsed at the INCOSAI in South Africa in November 2010, following normal due process.

Key elements of ISSAI 40 include:

- Leadership that reinforces the importance of quality and takes ownership of quality;
- Policies/procedures that reflect quality as a key objective;
- An effective monitoring process and feedback loop that fosters continuous improvement.

ISSAI 40 is designed to assist SAIs to establish and maintain an appropriate system of quality control, which covers all of their work. ISSAI 40 is not designed to cover quality

control at an individual engagement level. Rather, it is designed to complement guidance on quality control at an individual engagement level that can be found in ISSAI 1220 and ISSAI 1620 (financial audits), ISSAI 3100 (performance audits) and ISSAI 4100 and ISSAI 4200 (compliance audits).

#### Implementation guidance

Following the INCOSAI in 2010, the project team agreed that it would be useful to develop further guidance within the ISSAI framework to complement the guidance in ISSAI 40.

The project team has since developed the following guidance to complement ISSAI 40:

- Gap analysis tool for SAIs to self-assess their position relative to ISSAI 40;
- explanation of the various columns in the Gap analysis tool; and
- worked example using the Gap analysis tool based on a hypothetical SAI. This should help to demonstrate how the Gap analysis tool can be used by SAIs to self-assess their compliance with ISSAI 40.

This implementation guidance has been put onto the ISSAI website under the page entitled "Guidance and tools for implementation of the ISSAIs". A link has also been inserted into ISSAI 40 by the PSC Secretariat which links ISSAI 40 to the implementation guidance which should facilitate ready access to the guidance.

### **Dissolving the project group**

The PSC Steering Committee decided to dissolve the project group based on the project group's recommendation, since the task of the group was completed with INCOSAI's endorsement of ISSAI 40 and the development of supporting guidance materials.

According to the Due Process the maintenance responsibility for ISSAI 40 falls upon the PSC Chair, when the project group is dissolved.

## VII. Financial Audit Subcommittee (FAS)

### Progress to date

In accordance with the 2011-2013 work plan, the INTOSAI Financial Audit Subcommittee (FAS) has, with the assistance of INTOSAI experts, continued to contribute to the development of the International Standards on Audit (ISA) and to draft corresponding Practice Notes to ensure that INTOSAI members will continue to have access to up to date Financial Audit Guidelines. The FAS work plan for the period 2011-2013 builds on the main tasks identified by the PSC Steering Committee during 2010:

- Maintain and continue to develop the ISSAIs on financial audit
- Create awareness for the standards and guidelines and contribute with expert knowledge on the guidelines, relating to implementation efforts
- Contribute to the consistency in the ISSAI framework
- Explore the advantages and possibilities including other standards issued by the IAASB as part of the INTOSAI Financial Audit Guidelines
- Summarize lessons learnt throughout the process, with the hope that the conclusions will contribute to further improvements of our own work as well as be a valuable resource to other INTOSAI bodies
- Monitor implementation of the guidelines among INTOSAI members

### Members

The current membership of FAS includes: Sweden (chair), Cameroon, Canada, China, European Court of Auditors, India, Korea, Kuwait, Mexico, Namibia, New Zealand, Norway, Russia, South Africa, United Arab Emirates, United Kingdom and USA. The IAASB is observer member.

### Work progress

#### Development of ISSAIs

FAS will, with the assistance of INTOSAI experts, continue to contribute to the development of the International Standards on Audit (ISA) and to draft corresponding Practice Notes to ensure that INTOSAI members will continue to have access to up to date Financial Audit Guidelines. During 2011 there are two on-going ISA Task Forces;

- Revision of ISA 610- Using the Work of Internal Auditors. INTOSAI is represented by an expert from SAI Canada, assisted by experts from South Africa and USA. The revised ISA was approved in December 2011 and an updated Practice Note will be presented to the subcommittee for consideration of exposure during 2012.
- Revision of ISA 720 - The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. INTOSAI is represented by an expert from SAI Sweden, assisted by experts from Estonia and the United Kingdom (Scotland). The revised ISA is scheduled to be approved during 2012, and an updated Practice Note will be presented during 2013.

FAS will carefully consider the need and relevance of nominating INTOSAI experts for new revision or development initiatives within the IAASB.

The FAS secretariat has undertaken a survey to establish the views and needs within INTOSAI to include other IAASB standards related to financial audit or related services into the ISSAI structure. Standards to be considered includes for instance review standards, such as reviews of financial statements and reviews of interim financial statements, but also standards related to other areas such as engagements to perform agreed- upon procedures and greenhouse gas statements.

The survey was addressed to 75 SAIs. The number of respondents was limited, and FAS decided that, since it might be too early to assess the need for additional standards when a lot of SAI are still in the stage of deciding on implementation of the existing standards, to postpone the issue and undertake a new survey beginning next year.

#### Summarizing “lessons learnt” on the dual process adopted in developing the Financial Audit Guidelines

Lessons learnt throughout the IAASB-FAS co-operation process were planned to be summarized, so that the conclusions will contribute to further improvements in the FAS work as well as be a valuable resource to other INTOSAI bodies. The FAS meeting in Washington 2011 decided to put less effort on this area, since more resources was needed for the harmonization project, as well as for awareness raising activities. The FAS Chair will make a brief summary of lessons learned and based on this summary the subcommittee will consider if there is a need for further analysis.

#### Cooperation with the IAASB

With effect from 2013 Mr Jonas Hällström has been appointed public member of the IAASB for a three year term. The FAS Chair and secretariat have already consulted with INTOSAI members on several occasions related to drafts, or consultation papers issued by the IAASB, and will continue to do so as and when needed. Among the existing projects within the IAASB there are several that are of great interest for the INTOSAI, such as;

- Project on Auditor’s Reporting
- Project on Audit of Disclosures
- Project on Audit Quality

In accordance with the Memorandum of Understanding between INTOSAI and the IAASB, FAS has nominated experts to participate in IAASB task forces to draft new or revise existing ISAs. Through the public members, and a reference group of additional INTOSAI experts, FAS has contributed to the inclusion of public sector considerations in the ISAs revised and redrafted to ensure increased clarity.

#### Meetings

FAS has held one annual physical subcommittee meeting during 2011, 2012 and 2013.

#### Awareness Raising

With an aim to raise awareness of the INTOSAI Financial Audit Guidelines in the INTOSAI community, FAS has both participated in PSC awareness raising activities, and taken own initiatives. One such initiative is the establishment of a panel of Key Persons around the INTOSAI Community with a particular interest in the Financial Audit guidelines. So far 84 Key Persons from 69 INTOSAI member countries have been appointed by their respective SAIs in order to spread information on the guidelines within their respective organizations.

The FAS Chair and/or Director have participated in a number of events and seminars to present the guidelines in 2011 as well as 2012. During 2011 the FAS Chair identified a need

to enhance the awareness raising activities of FAS, in addition to the ambition of PSC, and several speeches and visits to different INTOSAI members has been undertaken. In addition, FAS has arranged or participated as speakers in four different seminars addressing a number of INTOSAI members. Three of these seminars were addressing financial and compliance audits at the same time and the concept of combining financial and compliance was appreciated. Members of CAS (INTOSAI Compliance Audit Subcommittee) were presenting compliance audits.

FAS Chair and Director has had several discussions with representatives of IDI to find ways of supporting the work of IDI in the best manner. In 2012 the FAS Chair agreed to support IDI in their development work. Experts from FAS have been involved in the development of IDI implementation tools.

#### Harmonization Project

The FAS Secretariat and some FAS members have actively participated in the PSC Harmonization Project during 2011-2013. A draft ISSAI 200, Fundamental Principles of Financial Audits, was presented at the project meeting earlier this year, and the FAS meeting in October will discuss and approve the version of ISSAI 200 for exposure within the INTOSAI community. The rather tight timeframe for the project will require more work effort and probably additional meetings for the subcommittee during the next year.

#### Communication

FAS communicate with all relevant stakeholders through the issuance of "FAS News Letter" which replaces the FAS progress report issued earlier years. It will not be issued on a quarterly basis, rather issued when considered relevant to communicate with the stakeholders.

#### Change of Chair

The SAI of Sweden announced at the Governing Board 2012 that it will resign as FAS Chair by INCOSAI 2013 in Beijing. The PSC Chair will nominate a candidate to replace the SAI of Sweden to the Governing Board in accordance with the INTOSAI Handbook for Committees.

## **VIII. Performance Audit Subcommittee (PAS)**

### **PAS membership**

In 2013, three SAI(s) became PAS members: SAI(s) of Hungary, Iran and USA. The Performance Auditing Subcommittee is currently made up of 22 SAIs: Brazil (Chair), Austria, Australia, Canada, Denmark, France, Guyana, Hungary, India, Iran, Kiribati, Mexico, The Netherlands, Norway, Saudi Arabia, Slovenia, South Africa, Sweden, Tunisia, United Kingdom, USA and European Court of Auditors

### **PAS Participation in the Harmonization Project**

PAS representatives from SAI of Austria and Brazil continued working in the Harmonization Project until the final Meeting in April of 2013, in India.

The ISSAI 300 - Fundamental Principles of Performance Audit received 265 comments during the exposure period of ISSAIs 100-400. Of these 130 were about content rather than wording and style. Once the exposure period ended, in February of 2013, a preparation group formed by the Project examined the comments received and prepared draft amendments for each of the four ISSAIs. The PAS team in the Project worked on the suggested amendments to ISSAI 300 in order to prepare the endorsement version that was submitted to PSC for approval of the endorsement version.

### **PAS participation in the 3i Program**

Up till now, PAS has participated in the ISSAI Implementation Initiative (3i) Program with two experts, both from the SAI of Brazil. In 2012 the expert participated in the development of ISSAI Compliance Assessment Tool (iCAT) for performance audit and of an e-learning course on iCAT, as well as mentoring the Eurosai group in the e-course. In 2013 an expert participated in the development of the Handbook on Performance Audit and in the e-learning course "Implementing performance audit ISSAIs", based on the new Handbook as well as mentoring the Eurosai group and for part of the Afrosai-E group. These courses were offered to representatives of SAIs in developing countries of the English speaking Intosai regions.

### **Creation of the PAS Community of Practice**

In March of 2013, PAS began the use of a knowledge sharing moodle platform hosted in the Brazilian SAI website to promote collaboration and discussion on themes connected to PAS work. The first debates on the PAS platform were about the agenda of the 6th PAS Meeting, held in May of 2013. Until now, PAS has used the forum to interact in some important themes, such as the new PAS Terms of Reference and the project for reviewing Level 4 of the ISSAI framework.

## **PAS Work Plan 2014-2016**

PAS prepared a plan of actions for the next three years. The approval by the PSC Steering Committee will be through a written procedure.

Briefly, the Work Plan presents the following actions:

- Review ISSAI level 4 by producing a set of requirements aligned with level 3 that can be used by SAIs as their authoritative standards.
- Develop existing material into guidance on performance auditing that can support the new ISSAIs 300 and 3000.
- Collaborate with the Knowledge Sharing Committee (KSC), Capacity Building Committee (CBC) and the Program Evaluation Working Group, including collaborating with the 3i community portal by engaging experts to participate in the community activities and to assist the development of 3i products.
- Test and evaluate the e-community for PAS members.

## **New PAS Terms of Reference**

PAS members agreed on new Terms of Reference to substitute the current document, in force since 2006. As was the case with the Project to review ISSAIs level 4, the revised Terms of Reference received comments from the PSC Chair and, after that, was submitted to the PSC Steering Committee through a written procedure.

The new document was based on the Handbook for INTOSAI Committees (2010). The PAS mandate was updated and rewritten in a way that it is generic enough in order to avoid the need for frequent changes. Furthermore, the concept of "active member" was added, meaning that PAS members must attend meetings and contribute during the periods between them. Another point to be highlighted from the new Terms of Reference is that the PAS Chair should ensure participation from SAIs representing different auditing systems, different languages, and every Intosai regional group.

## **6th PAS Meeting**

On May 27th and 28th, 2013, the 6th PAS Meeting was held in Ottawa, Canada.

The first item of the Meeting agenda was the assessment of the Work Plan 2011-2013 execution. Each action included in the Plan was considered and the progress made analysed. Most of the planned actions were fulfilled: the creation of a PAS forum; participation of PAS in the Harmonization Project; and participation in the PSC awareness raising strategy, which progressed to the 3i Program. One of the actions included in the Work Plan was not performed: the development of the PAS website to include examples of best practice reports and a section to announce seminars and other events related to performance audit. In regard to this, it was decided that PAS would not work on the implementation of this action for now, since the Subcommittee chose to focus on the review of ISSAI level 4 and, in addition, criteria according to which a report could be considered as a good practice report haven't been established yet.

PAS members discussed the futures of the five Performance Audit Guides published by PAS in 2012 – Selecting Audit Topics, Communication in the Audit Process, Safeguarding Quality in the Audit Process, Making Performance Audit Reports Reader-friendly and Setting the Audit Questions and Criteria. These documents have been used as reference to develop the Handbook on PA by the 3i programme. They will need to be translated into the Intosai languages in order to disseminate them and give them more visibility. These issues will be addressed during the review of ISSAI level 4, when their integration to the ISSAI framework will be decided.

Two programs that are being developed were themes of presentations and discussions during the Meeting: the 3i Program, already referred on item 3, and the Performance Measurement Framework (SAI PMF).

Regarding the 3i Program the SAI of Brazil and IDI made a presentation explaining the Program's general objective, its main tool – the ISSAI Compliance Assessment Tool (iCAT) – and the ISSAI certification program. The presentation also included a discussion about the impact of the 3i Program on the performance audit ISSAIs, the performance audit area within the Intosai community and, consequently, on PAS.

The SAI of Brazil presented to the Meeting participants the main aspects of the SAI PMF, a framework for assessment of SAIs' performance against the ISSAIs and other established international good practices for external public auditing: its general objective, some possible reasons for a SAI to apply it and the resources and time needed to apply it. One of the comments made during the presentation was related to the consideration of performance audit ISSAIs in the SAI PMF. The presentation highlighted that different domains of performance within the SAI will be measured through SAI PMF and that criteria drawn from ISSAI 3000 were included to measure part of the core activities domain.

The last part of the Meeting was dedicated to a presentation made by Mr. Rémi Frentz, representative of the Intosai Program Evaluation Working Group, and a discussion about the similarities and differences between program evaluation and performance audit.

Mr. Frentz talked about the work developed by the Working Group and the evolution of the thinking about program evaluation over the years. He also raised some issues regarding program evaluation vis-à-vis performance audit. These issues were discussed with PAS members.

## **PAS participation in events**

International Seminar "*Developing institutional capacities - experiences and challenges in performance audit*", hosted by the Court of Accounts of the Brazilian State of Bahia, in Salvador, on November 26, 2012. The SAIs of Denmark, Norway, Brazil and Canada all made presentations in the Seminar.

Accounting and Accountability for Regional Economic Growth Conference (CReCER) Conference -2013, organized by the World Bank, IDB and IFAC, in Cartagena, Colombia, on July 31 to August 2, 2013:



The PAS Chair and President of the Federal Court of Accounts/Brazil (TCU) attended the Conference and made a presentation on the ISSAIs and the 3i Program.

The Annual Performance Audit Symposium of the Canadian Council of Legislative Auditors (CCOLA), in Toronto, Canada, on April 8-9, 2013:

The SAI of Canada representative in the PAS attended the Symposium.

Third National Meeting of Performance Audit, in Mérida City, Mexico, on May 24, 2013:

PAS was represented by the Federal Court of Accounts/Brazil.

## **Review of performance audit ISSAIs of Level 4**

During the 6th Meeting the SAI of Austria presented to other PAS members a draft of a project to review level 4 of ISSAI framework regarding performance audit. The proposals within the draft project were discussed during the meeting and after it on the PAS Community of Practice. A consensus was reached and formalized in a final project.

The main points of the Project are:

- A new ISSAI 3000 will be prepared. It will be the standard on performance audit.
- A 3100 series will become the guidance sections, i.e., each ISSAI – 3100, 3200, 3300 etc – will contain guidance on a specific performance audit theme.
- ISSAI 300 will be used as a basis to write the standard and the guidance documents at level 4.
- The 3100 series will be developed within the next three years.

The draft of the project was presented to the PSC Chair, SAI of Denmark, and received the Chair's comments. Later, it was presented to PSC Steering Committee members through a written procedure to seek approval.

## **7th PAS Meeting**

The representative of the Internal Institute of Auditors (IIA) in the 6th PAS Meetings suggested that the Institute host the next meeting, in 2014, in Orlando or in London, following the IIA International Conference. This is still to be confirmed by the IIA.

## **IX. Compliance Audit Subcommittee (CAS)**

### **Reporting 2012–2013**

The Compliance Audit Subcommittee was established in Budapest 10th of October 2004 (Working group of Compliance Audit), with the overall objective to develop INTOSAI Guidelines on Compliance Audit.

The XX INCOSAI in Johannesburg 2010 endorsed the ISSAI 4000-series on Compliance Audit;

- ISSAI 4000 Compliance Audit Guidelines – General Introduction
- ISSAI 4100 Compliance Audit Guidelines – Compliance Audit Performed Separately from the Audit of Financial Statements
- ISSAI 4200 Compliance Audit Guidelines – Compliance Audit Related to the Audit of Financial Statements

CAS has 16 members: Norway (chair), Brazil, Denmark, European Court of Auditors, India, Lithuania, Mexico, Namibia, Romania, Saudi Arabia, Slovakia, South Africa, Tunisia, Georgia, China and Portugal.

Since the last PSC Steering Committee meeting in May 2012, CAS has had one meeting in Vilnius, Lithuania in September 2012.

In the strategic period of 2012–2016 CAS is responsible for the following:

1. Implementation: establishing a network of regional compliance experts following up the implementation of the ISSAI 4000 series in SAIs
2. Harmonization: partaking in the harmonization project of the PSC and producing ISSAI 400 Fundamental Principles of Compliance Auditing
3. Maintenance: maintain and updating ISSAI 4000, 4100 and 4200

The strategic aims of CAS in the strategic period 2012–2016 are the following:

1. Establishing a strong professional environment for Compliance Audit in the public sector
2. Presenting ISSAI 400 for INCOSAI 2013
3. Presenting an updated and coherent ISSAI 4000 series for INCOSAI 2016

### **The Harmonization Project**

CAS has been represented by Norway, Slovakia and ECA in the project. Their focus in the last year has been on finalizing the new ISSAI level 3 for endorsement by INCOSAI 2013. The CAS harmonization team has been:

- Partaking in the development of ISSAI 100 Fundamental principles of public sector auditing and in working out solutions as responses to comments made in INTOSAI exposure to the draft level 3
- Finalizing ISSAI 400 Principles of Compliance Audit

All through the development of ISSAI 400 CAS as a committee has been working as a "backoffice function" for the CAS harmonization team, meaning that committee members has

participated actively in hearings and committee discussions on various drafts of ISSAI 400. The final draft is widely supported by committee members and ISSAI 400 solutions has in several cases been proposed as common solutions for public sector auditing in ISSAI 100.

## **From awareness raising to implementation**

CAS has since the endorsement of the ISSAI 4000 series participated in a number of awareness raising activities of the ISSAIs, by partaking in awareness raising seminars, developing presentations, newsletters and the CAS website.

As the ISSAIs are by now well known in the INTOSAI community, the period of awareness raising is turning into active implementation of the ISSAIs. At the CAS meeting in Vilnius 2012 the IDI was presenting its 3i Programme on ISSAI implementation, and several CAS members have participated as experts in the programme. CAS is planning to host a "CAS expert training seminar" in conjunction with its 2013 meeting in Brazil to further expand the pool of experts available for implementation purposes.

## **Compliance audit and court of accounts**

Compliance Audit is an audit type frequently applied by SAIs organized as courts, and the issue of how to accommodate the special needs of courts in requirements on the audit process has been raised since the first drafts of the ISSAI 4000 series. ISSAI 4100 and 4200 contains an appendix section related to courts, and a CAS subgroup has been working further on expanding the court of accounts issues into an ISSAI format. At the CAS meeting in 2012 a draft ISSAI 4300 on Court of Accounts issues was discussed by the committee and considered apt for further considerations by the PSC.

CAS hosted a meeting of the court of accounts subgroup in Oslo in January 2013 to discuss the further development of the ISSAI 4300 draft. The meeting also considered the new requirements for development of level 4 coming from the harmonization project and the need for specificity in requirements and restructuring of the ISSAI 4300 draft. The conclusion of the Oslo meeting was that the further process of incorporating the Court of Accounts perspective into the standards must be an integrated part of the maintenance process of the ISSAI 4000 series and hence a separate ISSAI 4300 should not be presented at the present stage.

As a result, the CAS plans to put into discussion in the framework of the next meeting in Brazil the two following possibilities:

1. Agree on the need of a separate ISSAI for courts model on the basis of a restructured new draft of 4300 that the Subgroup of the court of accounts will submit to the CAS,  
or
2. Agree on incorporating the Court of Accounts perspective into the standards of the ISSAI series as long as the harmonization process would require to keep only one integrated and comprehensive standard for compliance audit.

The project group with the Chair concluded to work towards the integration of the Courts in the level 4, and a first draft of this will be presented at the Brazil meeting in September 2013. The draft will be structured according to the requirements of level 3 in the ISSAI 400, taking the contents of ISSAI 4100 and 4200 into account. It will be written both with

intention to be integrated into the existing level 4 in a maintenance process and as a standalone document. There will be a decision at the CAS meeting of further process.

## **Maintenance of Compliance Audit Guidelines**

CAS has set up a maintenance review of the ISSAI 4000 series with the frequency of 5 years to allow for a reasonable period of implementation of the guidelines. To meet the deadline of the maintenance review in 2015, the focus of CAS onwards is to consider the amount of changes needed in the ISSAI 4000 series.

There are three main sources influencing the development and maintenance of the ISSAI 4000 series:

1. The work of the Harmonization Project  
The work of the project has contributed to the development of concepts, terminology and contents of the Compliance Audit Guidelines and new drafting style guidelines for level 4.
2. Professional development conducted by other standard setting bodies  
The secretariat will conduct the responsibility of following the development of other standard setting bodies.
3. Development projects within the Compliance Audit Subcommittee  
The volume of changes in the maintenance process also depends on the needs for substantial changes identified during the implementation of the guidelines worldwide. The committee is therefore to prioritize between issues of material importance for maintenance and start working on some of these issues.

The maintenance process will start in 2013. The aim of the maintenance work of level 4, with the Court model incorporated, will be to present a new level 4-standard on compliance audit at INCOSAI 2016.

## **Development of the CAS secretariat**

A CAS secretariat was first established in 2010, consisting of one full position parted between a secretary and a professional. As the tasks of development of standard contents for this newly established audit type, the awareness raising, implementation and maintenance of the ISSAI 4000 series have become evident, the need for competence and resources of the secretariat has become clear. Hence, Norway as Chair of CAS, has extended the resources of the secretariat. In order to chair the committee, Norway has allotted two full time experienced professionals to run the CAS secretariat from 2013–2016, with secretary assistance for administrative purposes. This is deemed necessary in order to develop standards professionally and provide the assistance needed for implementation. The working procedures of the CAS secretariat may also provide valuable input to the administrative processes of a future sustainable solution for ISSAI development and maintenance.

## **X. Internal Control Subcommittee**

### **Members**

28 SAIs: Austria, Bahamas, Bangladesh, Belgium, Bolivia, Brazil, Chile, Cook Islands, Costa Rica, Cuba, Egypt, El Salvador, France, Georgia, Hungary, Jamaica, Libya, Lithuania, the Netherlands, Oman, Poland (Chair), Romania, Russian Federation, South Africa, Spain, Tanzania, Ukraine, United States of America + one observer: the Institute of Internal Auditors (The IIA).

### **Chairmanship**

At the XX INCOSAI in Johannesburg in November 2010, the chairmanship of the Subcommittee on Internal Control Standards was handed over by the SAI of Belgium to the SAI of Poland.

### **Meetings**

In February 2011, representatives of the former and new chairs met in Warsaw, Poland, to provide for a smooth takeover of the chairmanship. In November 2011, a meeting was organised for task coordinators – SAIs that volunteered to coordinate the implementation of the Subcommittee's tasks (Austria, Lithuania, the Netherlands and Poland), in which representatives of the SAIs of Belgium, Georgia, Romania and the United States also participated, as well as a representative of The IIA.

In April 2012 a meeting of the Subcommittee members took place in Warsaw, Poland, held by the new chair. The meeting gathered representatives of the SAIs of Austria, Belgium, Bangladesh, Brazil, Chile, France, Georgia, Hungary, Lithuania, the Netherlands, Oman, Romania, Russian Federation and South Africa, as well as representatives of COSO and The IIA.

### **Achievements 2011-2013**

In 2012, the Subcommittee on Internal Control Standards elaborated and conducted two surveys: (1) on risk management in the public sector, and (2) on reporting on internal control in the public sector. All INTOSAI member SAIs were invited to respond to the surveys. Replies were received from 62 and 64 SAIs respectively. On the basis of the results of the surveys, research papers have been elaborated which indicate that there is a need for a revision of the guidelines on risk management (INTOSAI GOV 9130) and on reporting on internal control (INTOSAI GOV 9110).

With a view to establishing cooperation links with COSO, a representative of COSO was invited to participate in the Subcommittee meeting in April 2012, and he is informed about all Subcommittee projects and activities. Also, the Subcommittee Chair encouraged members of the PSC Steering Committee and the Subcommittee to present comments on the draft changes to the COSO 1992 Internal Control – Integrated Framework. The comments were collected by the Chair between February and April 2012, comprised and sent to COSO as an INTOSAI input.

The Subcommittee also actively cooperates with The IIA. Representatives of The IIA participate in the works of the Subcommittee, while since November 2012 Subcommittee Chairman Jacek Jezierski (President of the SAI of Poland) has been representing INTOSAI to the International Internal Audit Standards Board of The IIA (IIASB), and he participates in all meetings of the Board and in its projects. In 2012, the Subcommittee Chair contributed to The IIA's survey on internal audit definition, by distributing it among PSC Members, analysing and comprising the replies, which were later forwarded to The IIA Global. Participation in this worldwide initiative was an excellent opportunity to promote INTOSAI GOVs among a big group of stakeholders. Besides, in 2012 and 2013 the Subcommittee Chairman and one of the Subcommittee representatives participated, as authors and reviewers, in the works on The IIA's document entitled Leading Practices. IIA International Standards for the Professional Practices of Internal Auditing and INTOSAI International Standards for Supreme Audit Institutions – A Comparison.

The e-platform of the Subcommittee on Internal Control Standards has been transferred from the servers of the SAI of Belgium (former Subcommittee Chair) to the servers of the SAI of Poland (present Chair). Works are in progress on extending the contents of the platform and on the concept of its development.

## **Work plan 2014-2016**

In the next years, the Subcommittee will focus on the review of the INTOSAI GOVs on internal control (in accordance with the ISSAI maintenance frequency):

1. Draft revised INTOSAI GOV 9110 on internal control reporting, on the basis of the results of the survey conducted in 2012.
2. Draft revised guidelines on risk management (INTOSAI GOV 9130), on the basis of the results of the survey conducted in 2012.
3. Examine INTOSAI GOVs 9100, 9120, 9140 and 9150 and present a proposal on their revision in the following years.
4. Actively promote the INTOSAI GOVs on internal control (9100-9150).
5. Develop the Subcommittee e-platform.

## **XI. Subcommittee on Accounting and Reporting**

### Members

20 SAIs: Canada (Chair), Cuba, Denmark France, Ghana, Italy, Kenya, Libya, Lithuania, Malaysia, Malta, Morocco, New Zealand, Peru, South Africa, Sweden, Trinidad & Tobago, Ukraine, United Arab Emirates, USA.

### Mandate of the Subcommittee on Accounting and Reporting

- Observe and participate in the IFAC International Public Sector Accounting Standards Board's (IPSASB) public sector accounting standards setting activities;
- Prepare periodic reports for the INTOSAI membership about current and planned IFAC IPSASB activities;
- Facilitate information exchange and knowledge sharing among SAIs.

### Update since last PSC Steering Committee meeting in May 2012

- In its capacity as technical advisor of the IFAC-IPSASB, OAG Canada attended four meetings in Toronto, Canada (June 2012), Norwalk, Connecticut, USA (September 2012), New York City, USA (December 2012) and Abu Dhabi, United Arab Emirates (March 2013).
- At the request of the INTOSAI General Secretariat, the subcommittee issued a request for expressions of interest to its members to join the INTOSAI IPSASB Governance Review Group, whose task would be to assess the current governance and oversight arrangements for the setting of IPSAS and other pronouncements, and to make recommendations thereon. The INTOSAI Governing Board would then decide on the feasibility of INTOSAI's representation in this endeavour.

### Progress against the 2011-2013 Work Plan

- The Chair of the Subcommittee provided regular IPSASB updates to the INTOSAI membership through postings of IPSASB meeting updates (following each meeting) on the Subcommittee's webpage and links to studies/documents (including discussion papers and exposure drafts) issued by IPSASB on the Subcommittee's webpage and through e-mail notification.
- The document entitled "The Importance of an Independent standard setting process", endorsed by the INTOSAI Governing Board, has now been issued as GOV 9200 on the ISSAI.org web site.

### Due Process for INTOSAI Professional Standards

In November 2012, the INTOSAI Governing Board approved the withdrawal of INTOSAI GOVs in the 9200 series and decided that the withdrawal should not be submitted for endorsement at INCOSAI 2013. The decision made by the Governing Board is to be considered final – which is in full compliance with the Due Process