

November 2018

Project Proposal

Subcommittee ICS

This form is used to stand as a record of the proposal from the project team.

PART A: PROJECT IDENTITY

Description	Information						
Project number and title as per SDP	2.6 Consolidated and Improved Guidance on Reliance on the Work of Internal Auditors						
Working title(s) for the new pronouncement(s)	Guidance on reliance on the work of internal audit						
Project aim	To develop guidance to help Supreme Audit Institutions to rely on the work of internal audit						
Project objectives	To develop guidance to help Supreme Audit institutions to rely on the work of internal audit. The objective is to have a clear linkage between the treatment of internal auditors in the ISSAIs and the supporting GUID						
Project duration	4 years and 5 months (from August 2017 till January 2022; see Part B)						
Name of the lead WG ¹	Subcommittee on Internal Control Standards (ICS)						
Key contacts	Name	Surname	Address	Email	Office Phone	Business Mobile Phone	Organization / Sponsoring SAI
Project Group lead	Paweł	Banaś	Poland	pawel.banas@nik.gov.pl	+48 22 444 5081	+48 728 412 441	SAI of Poland
Contact person for the goal chair	Rafael	Torres Lopes	Brazil	RAFAELLT@TCU.gov.br	+ 55 61 3316-7626	Plz add	SAI of Brazil
FIPP liaison officer	Marita	Salgrāve	Latvia	Marita.Salgrave@lrvk.gov.lv	+371 67017596	+371 29408537	SAI of Latvia
Other anticipated project team members	Martin Abbink (SAI Netherlands), Doris Boehler (SAI Austria), James Dalkin (SAI USA), Wim Francois (SAI Belgium), David Maris (SAI Belgium), Paul Neelissen (SAI Netherlands), , Matthew P. Zaun (SAI USA), and representatives of PAS (Adrian Gogolan from SAI Romania), CAS (Elena Vasilieva from SAI Russian Federation) and FAAS (Khalid Hamid From SAI UAE).						

¹ For those “type A” projects where an existing working group/subcommittee is considered to have “natural ownership” of the project

PART B: PROJECT MILESTONES

Stage		Due process milestones			
1.	Project proposal	Start Date	End Date	Expected Time in Total	Comments
		16 August 2017	15 November 2018	15 months	
		N.B. Allow three months between end date of stage 1 and start date of stage 2 for FIPP approval of the project proposal			
2.	Exposure draft	Start Date	End Date	Expected Time in Total	Comments
		1 December 2018	31 August 2020	20 months	
	N.B. Allow three months between end date above and start date below for FIPP approval of the exposure draft				
3.	Endorsement version	Start Date	End Date	Expected Time in Total	Comments
		1 March 2021	30 June 2021	4 months	
		N.B. Allow three months between end date of stage 3 and start date of stage 4 for FIPP approval			
4.	Final pronouncement, including translation into all official INTOSAI languages*	Start Date	End Date	Expected Time in Total	Comments
		1 October 2021	31 January 2022	4 months	
		*“Unless other mechanisms have been established, the working group is responsible for translation of the approved endorsement version into the five official languages.” (Due Process, page 9). Time must be allowed to obtain the required translations of the endorsement version(s).			

PART C: INITIAL ASSESSMENT AND PROJECT PROPOSAL

N°	Initial assessment - Matters to be covered (Due Process, pages 6 and 7) ²	
C.1.	<p>Explanation of the need for the project</p> <p>Explanation of the purpose of the project</p>	<p>The need for the project was identified in the revised 2017-2019 Strategic Development Plan (SDP) approved by the INTOSAI Governing Board in November 2017. This project has been classified among priority 2 projects. The aim is to clarify the role of public sector internal auditors in the context of an audit by a SAI and to provide clear guidance on how SAIs can assess the internal audit function in terms of relying on the IA work – or involving IA in external auditing and monitoring the IA work in case of direct assistance - hence to provide clear guidance on how SAIs may use internal audit resources to raise overall audit efficiency and quality. Guidance on understanding the internal audit function is one of the requisites to understand how the SAI can – in the most effective and efficient way – make use of the work of the internal audit. As product we propose one guidance document in the GUID 5000-5999 range of the IFPP ('Subject specific guidance').</p> <p>This project should serve all three audit types: Financial Auditing, Performance Auditing and Compliance Auditing; as well as combined audits. Based on this, the proposed GUID will have some common general chapters. The financial auditing standards contain some guidance on and requirements for using the work of internal auditors by SAIs. This guidance can – in general terms – be usable also in the situation of performance auditing and compliance auditing, for instance the requirements regarding independence, expertise and experience. However, differences in context exist and are expected to lead to some differences in the approaches, and hence also specific chapters of the proposed GUID.</p> <p>For financial auditing the most important guidance is already given in ISSAI 1610/ISA610; ISA 610 must be obeyed by each registered/chartered financial auditor. ISA 610 and ISSAI 1610 refer to the required independence, objectivity, expertise and quality assurance. SAIs will have to judge whether or not sufficient independence, objectivity, expertise and quality assurance is in place for the level and degree to which they want to make use of the work of the internal auditors. At this point relevant parts of INTOSAI GOVs 9140 and 9150 might be integrated into the new guidance for assessing the usability of internal audit work, as well as the latest insights on assessment of internal audit maturity; the concept of the three lines of defence; and the communication with those charged with governance for both internal and external audit.</p>

² Please give detailed explanations in the right-hand column or provide references to annexed supporting material

N°	Initial assessment - Matters to be covered (Due Process, pages 6 and 7) ²
	<p>For performance auditing the situation is different. Within the project group there is at present no well-documented and sound information available on this specific issue. We have no knowledge of any literature or any experience of SAIs using the work of internal auditors (as such) for their performance audit. ISSAIs 3000 and 3100 do not mention the possibility of the usage of studies or work performed by third parties. ISSAI 3200 does mention the existence of studies or audits already performed by third parties, but then as an indicator to not (also) audit that object, see para 20 “Similar studies covering similar objectives may already have been conducted by other institutions”; para 21 “It is important that the auditor weighs the costs of obtaining information against the additional value of the information to the audit.”, and para 23: “Past evaluations and audits are often a useful source of information. They can help avoid unnecessary work in examining areas that have been under recent scrutiny (...)”. With the request for possible guidance on usage of the work of internal auditors for performance auditing, INTOSAI hence steps into a new until now unexplored area.</p> <p>Hence we propose to first perform a literature study, to identify and contact key players and to perform a survey among a representative number of INTOSAI-members to find out if there is any knowledge or experience available and/or to what extent any guidance on this area is needed in their view. The outcome of this exercise might define the next steps to be proposed.</p> <p>For compliance auditing the situation depends on the question whether this audit is conducted separately or combined with a financial audit. In the latter case the same approach is needed as described above for financial auditing. If it is conducted separately, the situation is the same as described for performance auditing.</p> <p>This approach would result, by the end of phase 1, in sharing an Outline of the proposed GUID with competent INTOSAI bodies (i.e. subcommittees CAS, PAS and FAAS, the PSC Chair and the FIPP).</p>

N°	Initial assessment - Matters to be covered (Due Process, pages 6 and 7) ²	
C.2.	Description of the categories of auditing or other engagements that will be covered by the new pronouncement(s)	<p>In the first phase of the project (until 2019) the focus will be on:</p> <ol style="list-style-type: none"> 1) new insights and developments concerning reliance on the work of internal auditors in the area of Financial Auditing and 2) the initial assessment of the extent to which ISA 610/ISSAI 1610 might be useable as guidance in the field of Performance Auditing and Compliance Auditing, by means of literature study, identifying and contacting key-players, and performing an INTOSAI survey on this issue (survey addressed to PAS and CAS members and Secretariats of Regional Organizations). <p>Further elaboration of the issues related to Compliance Auditing and Performance Auditing will be done in the second phase (after 2019).</p>
C.3.	Description of different types of SAIs / audit engagements that must be accommodated in the new pronouncement	<p>Audit engagements in which cooperation with and/or reliance on the work of the internal audit function (IAF) might be a possibility, whether this is in financial auditing, compliance auditing or performance auditing.</p>
C.4.	Challenges, if any foreseen, that would have to be managed by SAIs in implementing the new pronouncements	<p>One of the challenges we can foresee is that SAIs may have to convince the management and the internal audit functions of the audited entities about the benefits of the intended cooperation between SAIs and IAFs in financial auditing, compliance auditing and performance auditing</p> <p>Another challenge could be accommodating the new pronouncements to the national public sector auditing framework, in particular any national regulations concerning the relationship between SAIs and IAFs.</p>

N°	Initial assessment - Matters to be covered (Due Process, pages 6 and 7) ²	
C.5.	Explanation of how consistency with ISSAI 100, other existing ISSAIs and other professional pronouncement(s) will be ensured	<p>It is important to avoid problems of overlapping and contradictions between IFPP projects and pronouncements. In order to remain in alignment, also with ongoing SDP-projects, we will coordinate, and if necessary will seek to reach clear agreements on scopes of pronouncements, with other subcommittees/working groups, in particular FAAS, CAS and PAS. For this reason representatives of FAAS, CAS and PAS have joined at the working team level. Secondly, the project leader of 2.6 will contact the Goal Chair, the FIPP Liaison Officer and the other SDP projects leaders. Thirdly, we will keep eyes and ears open to detect any new relevant issues relating to existing ISSAIs or to the development of ISSAIs by any other SDP working group.</p> <p>Next to that we know that developments of ISAs by IFAC/IAASB are important for the IFPP. One of the important pronouncements to stay aligned with is ISA 315 which is under review at the moment – this will have an impact on the content and timing of our pronouncement. ISA 315 is the IFAC-standard on which ISSAI 1315 is based and contains the requirements for the auditor’s risk assessment, based upon the auditors understanding of the business and internal control of the entity to be audited. Changes in these requirements affect the audit approach and the way the auditor can make use of the work of the internal audit. If in the new ISA 315 the requirements for the auditor’s attention to certain risks are enhanced, then this will also affect the activities the auditor will have to deploy to assess the activities of internal audit in relation to these risks .</p>
C.6.	Explanation of the extent to which it will be possible and desirable to build on pronouncements from other internationally recognized, regional or national standard-setters and, if so, the extent to which supplementary pronouncements are needed to provide clarity on new pronouncement	Prior to initiating its pronouncement development activities, ICS will perform research to identify existing relevant guidance that may have been developed by other organizations on this topic.

N°	Project proposal – Matters to be covered (Due Process, page 7) ²	
C.7.	Explanation of organisation of the project describing how project group members will be drawn from relevant sub committees/ working groups/ other interested parties	A project team composed of ICS members and representatives of FAAS, CAS and PAS is formed to carry out the project.
C.8.	Explanation of the outcome of the project specifying how existing professional pronouncements may be affected.	Apart from ISSAI 1610, other pronouncements are not foreseen to be affected. If we identify issues that might affect other professional pronouncements we will contact the respective parties involved.
C.9.	Explain the quality processes that will be applied in the drafting process (see Due Process, page 7 and 8) along with the parties that the project group will consult and engage with.	<p>The project team plans to apply the following quality processes:</p> <ul style="list-style-type: none"> - The project team will include auditors that are highly experienced at evaluating internal audit. - The project team will include expertise on financial, performance and compliance auditing. - The project team will consider existing guidance on this topic and will identify the specific needs of Supreme Audit Institutions in their relation with the internal audit function. - The project team will adhere to the Due Process for INTOSAI Framework of Professional Pronouncements. <p>Since the outcome of project 2.6 has in principle meaning for the work of FAAS, PAS and CAS, representatives of those committees are part of the team. Relevant milestones, like the Outline to be developed and later the Exposure Draft, will be shared with these committees, the PSC Chair and the FIPP.</p>

PART D: AUTHORITIES

PERSON	NAME	SURNAME	DATE	SIGNATURE
Project leader	Mr. Pawel	Banaś		
Responsible Goal Chair	Mr. Rafael	Lopes Torres		