

Work plan for PSC Project on Quality Control for SAIs

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 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 was 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"¹, 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."

The Steering Committee reached this decision after discussing the distinction between quality control aspects at the SAI level (which the Committee saw belonging in level 2 of the ISSAI Framework) and quality control aspects of individual financial audits, performance audits and compliance audits (which the Committee saw as belonging in the appropriate section within level 4 of the ISSAI framework). This distinction is based on the ISSAI classification principles - a similar distinction is drawn by the International Auditing and Assurance Standards Board (IAASB) of IFAC which separates higher level organisational quality control aspects (captured in ISQC 1) from detailed quality control over individual financial audit assignments (captured in ISA 220).

The INCOSAI in Mexico City in November 2007 endorsed the establishment of a new project on audit quality, to complement existing material in level 2 of the ISSAI framework.

It should be noted that the subcommittee developing the Financial Audit Guidelines (FAS) has developed a practice note based on ISA 220 – Quality Control for audits of historical financial information and this practice note has been endorsed by the INCOSAI. Also, the subcommittees developing the Compliance

¹ The 'dual approach' refers to a decision the PSC Steering Committee made in 2006 to base INTOSAI guidelines on standards that are widely recognised among SAIs, developing complementary guidance where there is a special need and/or a pressing concern in the SAI environment. In doing so, the PSC will look to eliminate any duplication within the framework of INTOSAI's professional standards.

Audit Guidelines (CAS) and Performance Audit Guidelines (PAS) have incorporated the issue of quality control within the guidance that has been developed.

Work on ISSAI 40 is progressing well and it is expected that ISSAI 40 will be finalised in time for consideration at INCOSAI 2010.

Looking forward, the PSC Steering Committee will need to consider what further guidance on Quality Control for SAIs would be useful to add to the ISSAI framework to complement ISSAI 40.

Potentially this could include:

		Governing Board 2011	Governing Board 2012	INCOSAI
ISSAI 40-49	<ul style="list-style-type: none"> Development of further guidance for SAIs in the area of quality control, e.g. guidance on performance of peer reviews of SAIs. 	Approval of scope of further guidance.	Consideration of key principles in draft guidelines.	Endorsement of any new guidelines.