Agenda for the December 2022 web-meetings of the

Forum for INTOSAI Professional Pronouncements (FIPP)

The agenda is an overview of all agenda-items planned to be discussed during all sessions. Some items will be discussed in several sessions.		
Meeting days **Thursday 1 December 2022 - 12:00–16:00 CET** **Tuesday 6 December 2022 - 12:00–16:00 CET** **Thursday 8 December 2022 - 12:00–16:00 CET**		
Agenda Items	**Purpose**	**Output**
Strategic development draft plan for IFPP		
SDP 2023-2015	According to due process FIPP is responsible for the development of a proposal for the planning process. When a draft plan is developed the plan vision and proposed initiatives agreed on by the CBC, the KSC and the PSC and FIPP shall be distributed on a INTOSAI community and other stakeholders Exposure Period (12 weeks). After the Exposure Period is ended all comments will be analysed and documented before FIPP present a final draft SDP to the PSC-SC for their approval before forwarding the plan to the INCOSAI for endorsement.	A draft SDP 2023-2025 vision and a more operational initative plan was discussed and developed at the FIPP/Goal Chair (CBC, KSC, PSC) Joint seminar in September 2022. The PSC Secr have continued the drafting of the SDP based on the comments from the Joint Seminar. The Goal Chairs of the CBC, KSC and the FIPP will before the draft is distributed to the general INTOSAI Community and other stakeholders give their individual approvals of the draft so that the FIPP/GCC are in agreement of the plan proposed with its key initiatives and priorities. FIPP members as well as the CBC and the KSC have all received the draft and an invitation letter that describes the SDP on a high level beforehand of the FIPP meeting.
Project Proposal / Exposure Draft / Endorsement version submitted from Goal Chair for discussion / appraisal		
ISSAI 140 Quality management for SAIs - Exposure Draft	To discuss/appraise/approve according to FIPP Working Procedures and drafting conventions	For FIPP to discuss/approve/vote. See Annex 1 The project group is invited to participate at the meeting for discussion.
Guidance for implementing INTOSAI P-50 Principles of SAIs of	To discuss according to FIPP Working Procedures and drafting conventions	For FIPP to discuss. The Project group is invited to participate in the discussion.

jurisdictional activities		The goal is to reach a common view and solution of the way further for the guidance.

Information from FIPP Chair		
AoB	FIPP Chair	• A short information from the INCOSAI 2022 • FIPP meetings 1st half of 2023 • Invitation to host the 2nd in-person FIPP meeting in August/September 2023 • Initial information on the updating of the FIPP Working Procedures • Farewell to FIPP member Marita Salgrave • Information of new FIPP member 2023

Concluding the meeting		
Summary of activities	FIPP Chair	
Summary of key decisions in the minutes	FIPP Chair	

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INTRODUCTION

1) For Supreme Audit Institutions (SAIs) to meet their strategic objectives, it is essential that all aspects of their operations are of high quality. Quality should be built into a SAI's strategy, culture, policies and procedures. The quality of a SAI's work and output affects its reputation and credibility, and ultimately the ability to fulfil its mandate effectively.

2) The public interest is served by a SAI carrying out its engagements at a consistently high level of quality. The design, implementation and operation of a system of quality management help a SAI achieve this objective and provide reasonable assurance that its processes are in accordance with professional standards and applicable legal and regulatory requirements.

3) The International Standards of Supreme Audit Institutions (ISSAIs) promote independent and effective auditing by SAIs, and thereby support the credibility and reliability of public sector auditing.

4) The requirements and application material within this ISSAI are intended to be used in conjunction with the other ISSAIs and with consideration of a SAI's mandate, national legislation, structure, size, and types of audit and other work it performs. The standard also allows for appropriate flexibility in the application of the organisational requirements contained in the document, to cater for specific considerations that are unique to each SAI.

5) When a SAI claims compliance with this standard and other relevant standards, the SAI shall follow the requirements that are set out in the cited standard(s). If all requirement have not been fulfilled, then the SAI shall disclose the extent of non-compliance, the reasons for it, and consequences thereof.

SCOPE

6) ISSAI 100 – Fundamental Principles of Public-Sector Auditing - provides that each SAI should establish and maintain procedures for quality management on an organisational level. ISSAI 140 - Quality Management for SAIs complements this principle in ISSAI 100 by setting out organisational requirements for a SAI to follow in designing, implementing and operating a system of quality management that recognises and responds to quality risks within its work, and is commensurate with its mandate and circumstances.

7) ISSAI 140 is based on key principles of International Standard on Quality Management (ISQM) 1.[1] The principles of the latter are adapted as necessary to apply to SAIs and the public sector context in which they work.

8) ISSAI 140 addresses the SAI's role and responsibilities on an organisational level and is applicable to all types of engagements covered by the INTOSAI Framework of Professional Pronouncements (IFPP) carried out by a SAI.

9) ISSAI 140 is complemented by other INTOSAI pronouncements relating to quality management for specific auditing types and at an engagement level. Law, regulation or relevant ethical requirements may establish responsibilities for the management of quality beyond those described in this standard.

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[1] ISQM 1, International Standard on Quality Management 1 (previously International Standard on Quality Control 1). *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements*, International Auditing and Assurance Standards Board (IAASB).

THE PRINCIPLES UNDERLYING THIS STANDARD

10) In accordance with ISSAI 100 – Fundamental Principles of Public-Sector Auditing, the SAI designs, implements and operates a system of quality management that provides it with reasonable assurance that:

   a. the SAI achieves its objectives; and

   b. the SAI and its personnel conduct engagements and fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements.

11) The system of quality management needs to adapt to changes in the nature and circumstances of the SAI and its engagements. A system of quality management addresses the following interconnected components in a continual and iterative manner:

   a. SAI's risk assessment process;

   b. governance and leadership;

   c. relevant ethical requirements;

   d. acceptance, initiation, and continuance of engagements;

   e. performing individual engagements;

   f. SAI resources;

   g. information and communication; and

   h. monitoring and remediation process.

12) A SAI applies a risk-based approach in designing, implementing and operating the components of the system of quality management in a proactive and coordinated manner. In applying the risk-based approach, each SAI is required to take into account the nature and circumstances of its organisation, its work, and individual engagements.

13) The head of the SAI takes responsibility for the system of quality management and evaluating the extent to which the system is providing reasonable assurance that the objectives of the system are being achieved.

14) A SAI prepares documentation of its system of quality management that is sufficient to:

a. provide evidence of the design, implementation and operation of the system of quality management;

b. support a consistent understanding of the system of quality management by the personnel, including their roles and responsibilities within the system of quality management and in performing engagements;

c. support the consistent implementation and operation of the system of quality management; and

d. support the monitoring and evaluation of the system of quality management.

DEFINITIONS

15) **Culture** – operating environment encompassing behavioural norms, shared ethics, vision, mission, beliefs and core values, goals, attitudes, competencies, procedures, policies and practices, and communication, that characterize a SAI and steer actions of all personnel.

16) **Deficiency** in the SAI's system of quality management exists when:

   a. an appropriate quality objective is not established;

   b. a quality risk, or combination of quality risks, is not identified or properly assessed;

   c. a response, or combination of responses, do not reduce to an acceptably low level the likelihood of a related quality risk occurring because the response(s) is not properly designed, implemented, or operating effectively; or

   d. another aspect of the system of quality management is absent, or not properly designed, implemented or operating effectively, such that a requirement of this standard has not been addressed.

17) **Engagement** – any work carried out by a SAI that is within the scope of IFPP.

18) **Engagement quality review** – an objective evaluation, performed by the engagement quality reviewer and completed before the date of the engagement report, of the significant judgments made by the engagement team and the conclusions reached.

19) **Engagement quality reviewer** – an individual or a team, within the SAI or external, with appropriate experience and professional knowledge to perform the engagement quality review independent from the engagement team.

20) **Engagement team** – staff performing the engagement, and any other individuals who perform procedures on the engagement, excluding an external expert and internal auditors who provide direct assistance on an engagement.

21) **Findings** – in relation to a system of quality management, information about the design, implementation and operation of the system of quality management which indicates that one or more deficiencies may exist.

22) **Head of the SAI** – person or group of persons at the highest level who lead and control the institution and who have the power to delegate authority and

provide resources within the institution.

23) **Quality** – the extent to which the work performed and reports issued by the SAI comply with professional standards and applicable legal and regulatory requirements and satisfy stakeholders' needs.

24) **Quality objectives** – desired outcomes in relation to the components of the system of quality management to be achieved by a SAI.

25) **Quality risk** – a risk that has a reasonable possibility of:

occurring, and

individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives.

26) **Response** – policies and procedures designed and implemented by a SAI, and actions undertaken within the system of quality management to address one or more quality risks.

Policies are statements of what should, or should not, be done to address a quality risk. Such statements may be documented, explicitly stated in communications or implied through actions and decisions;

Procedures are actions to implement policies.

These can be:

a. preventive: designed and implemented to prevent the risk from occurring, aimed at the root cause of the risk;

b. corrective: designed and implemented to mitigate the effects of "an occurring risk" and to prevent it from happening again.
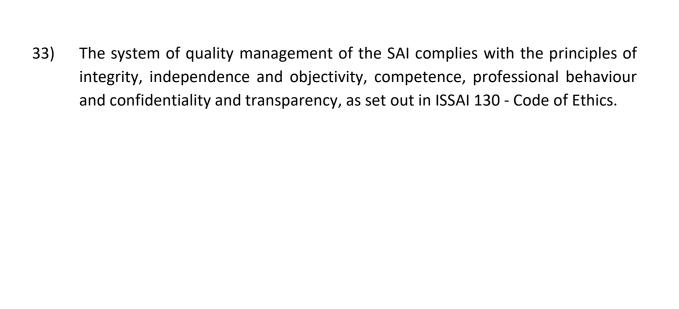
ESTABLISHING THE SYSTEM OF QUALITY MANAGEMENT

Organisational requirement 1

27) **The SAI shall design, implement, and operate a system of quality management taking into account the nature and circumstances of the SAI. The system shall cover all types of its professional work and be integrated into the SAI's strategy and operational activity.**

28) **The head of the SAI shall take the overall responsibility for the system of quality management.**

29) **The SAI shall design and implement a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks.**

Application material

30) The SAI establishes a culture that supports the design, implementation and operation of the system of quality management to achieve its quality objectives.

31) The head of the SAI is responsible for the implementation of its system of quality management. Responsibility for the system of quality management involves understanding the purpose of the system of quality management in their SAI and putting in place an appropriate system of governance to oversee the operation of the system.

32) To operate the system of quality management, the head of the SAI may assign responsibilities to individuals for the system and hold them accountable for the way they exercise those responsibilities. As set out in ISSAI - 150 Auditor Competence, the individuals assigned those responsibilities have the appropriate experience, knowledge, influence and authority, and sufficient time to fulfil them to the required standard. They understand the roles to which they are assigned and how they are accountable.

33) The system of quality management of the SAI complies with the principles of integrity, independence and objectivity, competence, professional behaviour and confidentiality and transparency, as set out in ISSAI 130 - Code of Ethics.

ESTABLISHING QUALITY OBJECTIVES

Organisational requirement 2

34) **The SAI shall establish quality objectives appropriate to its circumstances that the system of quality management is intended to address.**

35) **The quality objectives are associated with Governance and Leadership; Fulfilment of the SAI's responsibilities in accordance with relevant ethical requirements; acceptance, initiation, and continuance of engagements; performing individual engagements; SAI resources; and information and communication.**

36) **The SAI shall periodically assess whether changes to quality objectives are needed because of changes in the nature and circumstances of the SAI or its engagements.**

Application material

37) When establishing quality objectives, the SAI considers:

   a. if laws, regulations or professional standards create a requirement for specific quality objectives;

   b. the context of its audit work and how it impacts its quality objectives;

   c. the need for quality objectives to be separated into sub-objectives to facilitate the SAI's identification and assessment of risks to the quality objectives and to establish appropriate responses.

Governance and leadership

38) Quality objectives associated with governance and leadership of the SAI may include one or more of the following:

   a. the SAI demonstrates a commitment to quality within the culture of the SAI;

   b. leadership is responsible and accountable for quality;

   c. leadership demonstrates s a commitment to quality through its actions and behaviours;

   d. the organisational structure and assignment of roles, responsibilities, and

authority is appropriate to enable the design, implementation, and operation of the SAI's system of quality management;

e. resource needs are planned, and resources are obtained, allocated, and assigned in a manner that demonstrates the SAI's commitment to quality.

Fulfilment of the SAI's responsibilities in accordance with relevant ethical requirements

39) Quality objectives associated with relevant ethical requirements may confirm that the SAI and its personnel understand and fulfil their responsibilities in relation to the relevant legal and ethical requirements (such as those set out in ISSAI 130 - Code of Ethics), including those related to independence.

Acceptance, initiation, and continuance of engagements

40) Quality objectives associated with the acceptance, initiation, and continuance of engagements may specify that the SAI will normally accept, initiate, and continue engagements only if it:

a. complies with professional standards, applicable legal and regulatory requirements, and ethical principles;

b. acts within its legal mandate or authority; and

c. has the capabilities, including time and resources, to do so.

41) A SAI's engagements may arise from (1) its legal mandates, (2) requests from legislative or oversight bodies, and (3) at its discretion. In the cases of legal mandates and requests, the SAI may be required to conduct the engagement and may not be permitted to make decisions about acceptance or continuance or to resign or withdraw from the engagement.

Performing engagements

42) Quality objectives associated with performing individual engagements may set expectations on the extent to which:

a. engagement teams understand and fulfil their responsibilities in connection to engagements, including the overall responsibility of the individual responsible for managing and achieving quality on the engagement and being sufficiently and appropriately involved throughout the different stages of the engagement;

b. the nature, timing, and extent of direction and supervision of engagement

teams and review of the work performed is appropriate based on the specific features of the engagements and the resources assigned or made available to the engagement team;

c. engagement teams exercise appropriate professional judgment and professional scepticism;

d. consultation on significant matters is undertaken, especially for difficult or contentious matters, and the conclusions agreed to are implemented and, as appropriate, documented;

e. differences of opinion (e.g. within the engagement team, or between the engagement team and the engagement quality reviewer or individuals performing activities within the SAI's system of quality management) are brought to the attention of officials at the appropriate level of the SAI, resolved and documented appropriately; and

f. engagement documentation is assembled on a timely basis after the date of the engagement report and is appropriately maintained and retained to meet the needs of the SAI and to comply with law, regulation, relevant ethical requirements, and professional standards.

SAI resources

43)   Quality objectives associated with SAI resources may include (in addition to those set out in ISSAI 150 - Auditor Competence):

a. personnel are recruited, trained, and retained who have the competence and capabilities to consistently perform engagements to a high quality and carry out responsibilities related to the operation of the SAI's system of quality management;

b. personnel develop and maintain the appropriate competence to perform their roles and are held accountable for that, or recognised through timely evaluations and incentives;

c. individuals assigned to engagements or to perform activities within the system of quality management have appropriate competence and capabilities, including sufficient time, to perform their duties;

d. appropriate technological resources (typically IT applications, infrastructure and processes) are obtained or developed, implemented, maintained, and used to enable the operation of the SAI's system of quality management and the performance of engagements;

e. appropriate intellectual resources (e.g. methodologies, guides, standardised

documentation , databases etc) are obtained or developed, implemented, maintained, and used to enable the operation of the SAI's system of quality management and the consistent performance of quality engagements;

f. human, technological, or intellectual resources from service providers are appropriate for use in the SAI's system of quality management and in performing engagements.

Information and communication

44) Quality objectives associated with information and communication may include the following:

a. the information system identifies, captures, processes, and maintains relevant and reliable information that supports the system of quality management;

b. relevant and reliable information is communicated to personnel and engagement teams to enable them to understand and carry out their responsibilities within the system of quality management or engagements;

c. personnel and engagement teams communicate to the SAI when performing activities within the system of quality management or engagements.

IDENTIFYING AND ASSESSING QUALITY RISKS

Organisational requirement 3

45) **The SAI shall identify and assess quality risks, which are risks that have a reasonable possibility of both occurring and adversely affecting the achievement of quality objectives.**

46) **The SAI shall periodically assess whether changes to quality risks are needed because of changes in the nature and circumstances of the SAI or its engagements.**

Application material

47) SAIs identify risks to quality and then assess them, taking into account their likelihood and severity. Quality risks can be related to governance and leadership responsibilities, ethical requirements, acceptance and initiation of specific engagements, resources, performance of individual engagements and information and communication of the system of quality management.

48) The following matters may assist a SAI in assessing the conditions, events, circumstances, actions or inactions that could adversely affect the achievement of its quality objectives, and how these risks may materialise:

   a. complexity and other attributes of the SAI's organisational and operating environment;

   b. the SAI's strategic and operational processes;

   c. characteristics and management style of SAI leadership;

   d. resources available to the SAI;

   e. laws, regulations and professional standards required in the environment in which the SAI operates;

   f. any partnerships in the SAI operations;

   g. the nature of the audits and other work that is performed by the SAI;

   h. the types of reports that the SAI issues; and

i. the bodies that the SAI audits.

49) The following matters may assist a SAI in assessing the degree to which a risk, individually or in combination with other risks could adversely affect the achievement of quality objectives:

    a. how the condition, event, circumstance, action or inaction would affect the achievement of the quality objectives;

    b. how frequently the condition, event, circumstance, action or inaction is expected to occur;

    c. how long it would take after the condition, event, circumstance, action or inaction occurred for it to have an effect, and whether in that time the SAI would have an opportunity to respond to mitigate the effect; and

    d. how long the condition, event, circumstance, action or inaction would affect the achievement of the quality objective once it has occurred.

50) A SAI may use ratings or scores to help them classify the risks, but is not required to do so.

DESIGNING AND IMPLEMENTING RESPONSES

Organisational requirement 4

51) **The SAI shall design and implement responses to address the quality risks in a manner that is based on, and responsive to, the assessments of those risks.**

52) **The SAI shall periodically assess whether changes to responses are needed because of changes in the nature and circumstances of the SAI or its engagements.**

Application material

53) Appropriate responses to address quality risks are proportionate to the assessment of these risks. Professional judgment assists a SAI in determining that the responses are proportionate to how the conditions, events and circumstances, and actions or inaction adversely affect the achievement of one or more quality objectives.

54) When designing and implementing responses to address quality risks, a SAI may consider the following:

   a. the nature, timing and extent of the responses;

   b. the appropriate level at which to implement the responses (e.g., at the institutional level, individual engagement level, or a combination of both); and

   c. the necessity of documenting and communicating the response to ensure consistent implementation.

55) The following are examples of responses to quality risks that the SAI may design and implement to address quality risks:

   a. the SAI establishes policies and procedures for:

      i. identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and

      ii. identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner;

b. the SAI obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent;

c. the SAI establishes policies and procedures for receiving, investigating and resolving complaints and allegations about failures to perform its engagements in accordance with professional standards and applicable legal and regulatory requirements, or non-compliance with the SAI's policies or procedures;

d. the SAI establishes policies and procedures that identify if and when an engagement quality review is an appropriate response to address one or more quality risks[2]. These policies and procedures may address matters such as, but not limited to:

    i. identification of specific engagements or types of engagements that require engagement quality reviews;

    ii. eligibility to serve as an engagement quality reviewer;

    iii. impairment of the engagement quality reviewer's eligibility to perform the engagement quality review; and

    iv. performance of the engagement quality review.

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[2] More information can be found in ISQM 2, International Standard on Quality Management 2 *Engagement Quality Reviews*.

MONITORING AND REMEDIATION

Organisational requirement 5

56) **The SAI shall establish a monitoring and remediation process to:**

   a. **provide relevant, reliable and timely information about the implementation and operation of the system of quality management;**

   b. **identify potential deficiencies in the design and operation of the system of quality management; and**

   c. **take appropriate actions to respond to identified deficiencies such that they are remediated on a timely basis.**

Application material

57) The SAI designs and monitors activities to identify deficiencies in the design and operation of the system of quality management. It determines the circumstances when a review of completed engagements is required as part of monitoring activities. It establishes criteria for selecting engagements for review, the frequency of reviews and who should perform them.

58) The SAI evaluates findings from its monitoring and remediation process to determine whether deficiencies exist, evaluates the severity, pervasiveness and root cause of identified deficiencies, and designs and implements appropriate remedial actions to address those deficiencies.

59) The SAI ensures there is timely communication on identified deficiencies and remediation from those responsible for specific components of the system of quality management. This communication shall enable personnel to take action to address the deficiencies in accordance with their responsibilities.

EVALUATING THE SYSTEM OF QUALITY MANAGEMENT

Organisational requirement 6

60) **The SAI shall evaluate the system of quality management and conclude on the extent to which the objectives of the system of quality management are being achieved. The evaluation shall cover a defined period and be performed at least annually.**

Application material

61) The person(s) performing the evaluation should have sufficient authority within the SAI to conclude on the system of quality management.

62) The results of the monitoring and remediation process may provide a substantial portion of the basis for the evaluation of the system of quality management.

63) The SAI establishes procedures as to how the evaluation conclusions are reported. The SAI considers, having regard to applicable law, regulation or other factors, the circumstances when it may be appropriate to communicate to external parties about the evaluation of the system of quality management.

ISSAI 140 revision – proposal for conforming amendments to ISSAI 100
18 November 2022

1   Introduction and purpose of this document

The project proposal for the revision of ISSAI 140 mentions the amendments to ISSAI 100 as one of the deliverables of the project (see C.1). This document contains the above mentioned amendments to ISSAI 100.

2   Proposed amendments to ISSAI 100

(Source: https://www.issai.org/professional-pronouncements/ dd. 18 11 2022)

2.1   Chapter 5 ' Principles of public-sector auditing'

In the schematic overview on page 19 the third area in the general principles is called 'Quality control' which might better be amended to 'Quality management'.

2.2   Organisational requirements
(Pages 19-20)

35) **SAIs should establish and maintain appropriate procedures for ethics and quality** ~~control~~ **management**
Each SAI should establish and maintain procedures for ethics and quality management~~control~~ on an organisational level that will provide it with reasonable assurance that the SAI and its personnel are complying with professional standards and the applicable ethical, legal and regulatory requirements. *ISSAI 130 - Code of Ethics* and *ISSAI 140 - Quality ~~Control~~ Management for SAIs* provide principles, requirements and application material in this regard. The existence of these procedures at SAI level is a prerequisite for applying or developing national standards based on the Fundamental Auditing Principles.

2.3   General principles
(Page 21)

Quality ~~control~~ management
38) SAIs~~Auditors~~ should operate~~perform the audit~~ in accordance with professional standards on quality ~~control~~ management
An SAI's system of quality ~~control~~ management that is risk based and commensurate with its mandate and circumstances, should provide the SAI with reasonable assurance that the SAI achieves its strategic objectives through high

quality work and that the SAI and its personnel conduct engagements and fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements. ~~policiesand procedures should comply with professionalstandards, the aim being to ensure that audits are conducted at a consistently high level. Quality control procedures should cover matters such as the direction, review and supervision of the audit process and the need for consultation in order to reach decisions on difficult or contentious matters.~~ ~~Auditors~~ SAIs can find further information in *ISSAI 140 Quality ~~Control~~ Management for SAIs*.

Explanatory Memorandum – Revision of ISSAI 140

REQUEST FOR COMMENTS

This Exposure Draft of *ISSAI 140 revised*, was developed by a working group set up by the Professional Standards Committee and composed of representatives of all its sub-committees (CAS, FAAS, ICS and PAS). The working group also produced a proposal for amending ISSAI 100 in line with the revised ISSAI 140.

Respondents are asked to submit their comments electronically by <mark>Month Date Year</mark> to the email address <mark>(insert email address)</mark>. Please submit comments to specific paragraphs using the file circulated at the same time as the exposure draft. General comments may be submitted using PDF or Word documents. All comments will be considered a matter of public record and may be posted on the issai.org website. Comments are accepted in the five official INTOSAI languages.

The ISSAI 140 working group will consider all comments received when preparing the final version of the text for submission to the Forum for INTOSAI Professional Pronouncements (FIPP) for approval.

The FIPP have approved this exposure draft on <mark>Month Date Year</mark> (cf. section 2.1 of the due process for the IFPP). The final pronouncement is expected to take effect two years from final approval (see point 4 below).

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Introduction

ISSAI 140 – 'Quality control for SAIs' – which 'adapts' the key principles of ISQC1 for SAIs, was included in INTOSAI's framework of standards in 2010 (then named ISSAI 40).

In December 2020, the IAASB issued a new suite of quality management standards (ISQM 1 and ISQM 2) replacing the extant ISQC 1, and revised its ISA 220 standard (quality management of an audit of financial statements). The new standards are effective as of December 15, 2022 (the revised ISA 220 being effective for audits of financial statements for periods beginning on or after December 15, 2022). The changes emphasise that the auditor's objective is about managing quality control and associated procedures in a risk-based and dynamic way in order to achieve the required level of quality, rather than implementing a static set of quality control procedures.

These changes and revisions implied that a revision of the associated content of the IFPP, notably ISSAI 140, was needed.

Background

Our aim is to update and revise ISSAI 140, containing basic principles and key requirements, keeping in mind that:

• it should fit well into the revised INTOSAI framework, which should be clear, useful and accessible for SAIs that seek compliance with the ISSAIs;

• its presentation should be consistent with similar level standards (notably the endorsement version of ISSAI 150);

• its content should be consistent with ISSAI 100;

• it should adapt the content of the IAASB quality management standards ISQM1 and ISQM2 for SAIs;

• it should be applicable to different SAI organisational models.

As stated in paragraph 8, ISSAI 140 'is applicable to all types of engagements covered by the INTOSAI Framework of Professional Pronouncements (IFPP) carried out by a SAI including jurisdictional activities, and this for the following reasons:

• the jurisdictional reports are prepared as a result of financial/compliance or performance audits, which means they are the direct output of financial/compliance or performance audit activities;

• members of the chambers (courts) take part in the quality control processes by reviewing both the jurisdictional reports and other audit reports;

• INTOSAI takes into account the specificities of SAIs with jurisdictional powers; .

• paragraph 1.2.4 of INTOSAI P-50 "Principles of jurisdictional activities of SAIs" states that it is an integral part of the IFPP and the principles are intended to be used in conjunction with the rest of the pronouncements;

• Principle 10 of INTOSAI P-50 is "The SAI must guarantee the quality of jurisdictional procedures through an efficient and systematic quality control". The standard also highlights that this principle is common to both audits and jurisdictional activities and states that it must be adapted and suited for jurisdictional activities;

• ISSAI 140 is an organisational level standard. The organisational level standards are SAI level requirements for organisational functions of a SAI that are designed to enhance the performance of quality work;

• the extant ISSAI 140 also covers "all the work carried out by SAIs", which means it also covers judicial activities;

• the ISSAI 130 Code of Ethics, which is an organisational level standard as well, emphasises the diversity of cultures of SAIs and requires specific rules for judicial SAIs, by stating that "To satisfy the diversity of culture, and legal and social systems (such as specific rules applying to SAIs of judicial nature), each SAI is encouraged to develop or adopt a code of ethics and develop and implement an appropriate ethics control system. This Code constitutes the foundation for each SAI's code, which should be at least as stringent as the INTOSAI Code" (ISSAI 130: 7).

Questions for respondents to consider

1. The revised ISSAI 140 has been built around six organisational requirements, reflecting the quality management process:

   • establishing the system of quality management;

   • establishing quality objectives;

   • defining and assessing quality risks;

   • designing and implementing responses;

   • monitoring and remediation; and

   • evaluating the system of quality management.

   For each of these organisational requirements, we have identified the key high-level requirements from ISQM1 and adapted them to the SAI context. We analysed the remaining ISQM1 requirements and revised them as necessary to serve as application material. In our view, such an approach allows flexibility to the SAIs while effectively resulting in SAIs applying most of what is actually required by ISQM1.

   As to ISQM2 and engagement quality review, we have included the base definitions of engagement quality review and engagement quality reviewer in the proposed ISSAI 140. Engagement quality reviews are one of the responses to quality risks, and in paragraph 55d i-iv, we have provided examples of policies and procedures that might be needed to cover:

   • identification of specific engagements or types of engagements that require engagement quality reviews;
   • eligibility to serve as an engagement quality reviewer;
   • impairment of the engagement quality reviewer's eligibility to perform the engagement quality review; and
   • performance of the engagement quality review.

   We have not taken over the detailed requirements of ISQM2, but provided a reference to this standard in a footnote. In our view, such details should be taken over in further guidance to be developed, which should be equally applicable to financial, compliance, performance audits and other assurance related engagements.

   Question: Do you agree with our approach to structuring the ISSAI 140 and whether we have set the requirements at the right level? Do you see any elements of the application material that should be elevated to the level of requirements?

2. In the Definitions section, we have brought over certain but not all definitions from ISQM1. We have also added definitions of some key concepts in the SAI environment. For example, we have:

- brought over from ISQM1 and adapted to a SAI context definitions *of Deficiency, Engagement quality review, Engagement quality reviewer, Engagement team, Findings, Quality objectives, Quality risk* and *Response*;
- not included the ISQM 1 definitions of *Engagement documentation, Engagement partner, External inspections, Firm, Listed entity, Network firm, Network, Partner, Personnel, Professional standards, Service provider,* or *Staff*, as these terms are either not mentioned in ISSAI 140, not relevant in the SAI context, and/or are considered self-explanatory;
- not included definitions of widely-understood terms, such as design, implementation and operation (of the system of quality management);
- not defined *Professional judgement* which is defined in ISSAI 100 para 37;
- not defined *Relevant ethical requirements* – as in para 40 we explicitly refer to ISSAI 130;
- not defined *Reasonable assurance* because it is defined in ISSAI 100 para 33;
- not covered Independence because it is covered in the LIMA declaration.
- included a definition of *Engagement* which links back to paragraph 8 which says that ISSAI 140 'is applicable to all types of engagements covered by the IFPP' – so as to include all audit types, other assurance engagements and judicial activities which are within the IFPP;
- included a definition of *Culture* – this definition covers the concept in relation to the SAI outputs, and also a SAI as an organisation functioning in a certain environment with specific circumstances and expectations;
- included a definition of *Quality* as a key concept around which ISSAI 140 is centred. This definition follows and is the result of the consultation that took place in summer.

Question: Do you agree with such approach, and do you have any comments/suggestions on the proposed definitions of Culture and Quality?

3. ISQM1 requires the individual assigned with ultimate responsibility for the system of quality management to evaluate the system at least annually (see para 53 and A187-189 of ISQM 1). You will find it as one of the key principles in paragraph 13 – that *"the head of the SAI takes responsibility for the system of quality management and evaluating the extent to which the system is providing reasonable assurance that the objectives of the system are being achieved"*, and in Organisational requirements 1 and 6. The Organisational requirement 6 is about evaluating the system on an annual basis.

Question: Do you agree with the requirement to evaluate the system of quality management on an annual basis, per analogy with the ISQM1? If you cannot agree, what justification do you consider appropriate to move away from the ISQM1 requirement?

4. We propose an implementation date of no later than two years following the final approval of revised ISSAI 140. We believe that SAIs will need time to consider the ISSAI 140 requirements and to design and implement the quality management process. We believe that two years will be adequate time for these events to occur, and SAIs will be encouraged to implement the standard early.

Question: Do you agree with setting implementation date as two years following the final approval?