COMMENT TRACKING – ISSAI 150

ANNEXURE B – SAI FRANCE, NARRATIVE FROM SUBMISSION 1 and 2

From: FRENTZ, Rémi <remi.frentz@ccomptes.fr>
Sent: Wednesday, 20 January 2021 17:02
To: Van Schalkwyk,Jan (CE) <janvs@agsa.co.za>
Cc: Botes, Cobus (SM) <JacobusB@agsa.co.za>; LEPERS, Sébastien <sebastien.lepers@ccomptes.fr>;
ORY-LAVOLLÉE, Bruno <bruno.ory-lavollee@ccomptes.fr>; NEGRE, Benjamin
<benjamin.negre@ccomptes.fr>; AMIEL, Margaux <margaux.amiel@ccomptes.fr>
Subject: TR: Intosai - ISSAI 150 sur les compétences

Dear Jan
Following your last e mail sent in December, we have carefully looked through it and tried to answer
it as completely and efficiently as possible.
You will find hereafter some general comments and an amended attached version of daft ISSAI 150.
I hope this will work with you.
Best regards
Rémi

General comments (practical comments are in the attached document):

*At first, there should be no misunderstanding about the word "revised", which is to understand as :
amended. It was not our intention to challenge the whole document, especially these four principles
which, as you say, are suitable for all sorts or SAI. What in our opinion should be improved is more
often a "matter of perspective" (une question "d'angle d'attaque", for your French speakers), since
some key contents appear :*

- *Either too late for us, for instance the references to Lima declaration, to recruitment
  objectives and process,*
- *or only in the guids, for instance mentoring and on-the-job training.*

*Most of the changes we suggest relate to the way the introduction puts in the general landscape and
links the subject with its general frame. They also aim to emphasize that competence is a human
matter as much as a technical one.*

*From the very beginning, the document could highlight this idea that competence is only a part of
this starting key point which determines the identity and the sustainability of a SAI : who are its
members ? That is why it is so important to mention from the very beginning of the document that
the independance and the quality of the recruitment are essential ; the competence development
shall then steadily maintain and improve the skills and qualities of the members, but it is useless if
the recruitment was poor.*

*For example, the point 2 of the draft ISSAI 150 says that auditing standards are the foundation of a
SAI's credibility, and then that they should be implementend by competent staff. In other words, you
could deliver acceptable audits with high level auditors and poor standards, but the opposite (quality
audit with poor auditors despite robust standards) is less likely. The perspective could be modified in
order to say that both auditing standards and the quality of his members are the foundation(s) of a
SAI's credibility. And then that recrutement, at first, and later competence development, are the two
ways to ensure the later.*

This key role of competence could be emphazised by transfering point 42 (the last one) as a new point 1 with the reference to the Lima declaration. We would also suggest to quote the two first points and the beginning of the third point of the Section 14, since they are the reason why of this ISSAI 150 :

1) The members and the audit staff of Supreme Audit Institutions shall have the qualifications and moral integrity required to completely carry out their tasks.
2) In recruiting staff for Supreme Audit Institutions, appropriate recognition shall be given to above-average knowledge and skills and adequate professional experience.
3) Special attention shall be given to improving the theoretical and practical professional development of all members and audit staff of SAIs

The introduction could also mention that, because of this key role, competence should not only be adressed with specific plans : many other functions of the organisation and other aspects of HR management can contribute to it. Although this is said later in point 28 but, it is a part of the general framework.

Question of perspective also : the point 14 that defines competence includes rightly a point c) "Personal attributes - the qualities, characteristics and traits of a person". The "moral integrity" mentioned in the Lima declaration is one of them. The introduction could mention that such personal attributes are essential. Because of this, it might be bold to write that competence is always "measurable or observable".

Last, a special point could be created for on-the-job training and for mentoring, since the successive assignments of an auditor are the most simple and irreplaceable way to acquire skills and knowledge, mainly through the handling down from colleagues, especially the elder. Therefore, even audit planning is a part of competence development. Mentoring is important in this respect, since it establishes passing on knowledge and skills as a part of the organisation's culture.

You find here enclosed the ISSAI 150 with some comments related to this message. We hope both will be helpful to you.(See main comment tracking schedule for ISSAI 150)

De : Van Schalkwyk,Jan (CE) <janvs@agsa.co.za>
Envoyé : jeudi 3 décembre 2020 08:58
À : FRENTZ, Rémi <remi.frentz@ccomptes.fr>; LEPERS, Sébastien <sebastien.lepers@ccomptes.fr>
Cc : Botes, Cobus (SM) <JacobusB@agsa.co.za>; Ramsoodur,Avisha <AvishaR@agsa.co.za>
Objet : TF on INTOSAI Auditor Professionalization (TFIAP) - Communique # 7 of 2020

Remi

Thank you very much (again) for your comments on the draft deliverables of the TFIAP. Our plans were to use these comments, together with those of the other members, to update the three draft pronouncements during the last two weeks of November. The unexpected passing way of AG Makwetu and the transitioning process to our new AG have unfortunately meant that these processes has been delayed by at least two weeks. I do therefor apologise that I am only responding to you on these now.

I appreciate your feedback on the three documents, especially since the SAI France has been such an integral part of the work of the TFIAP up to now. The process to make sure that we could reflect the competencies for SAIs with Jurisdictional Responsibilities in the TFIAP's 2019 deliverables would definitely not have been possible without the very detailed inputs and drafting from SAI France. The same applies to the work the TFIAP had done on pathways for professional development. Your representative was very helpful in making sure that, both in the process considerations and the actual examples, we could fully cope with SAI with Jurisdictional Responsibilities. Lastly, I was quite inspired by your crafting of INTOSAI-P 50 and tried to use the lessons learnt from what you did in this document, in crafting our ISSAI 150.

Let me expand on my last point. In crafting INTOSAI-P 50 you managed to describe twelve critical principles that underpin the work of jurisdictional SAIs, regardless of what model of audit or what type of SAI is involved. You will recall a discussion in Chile, where I mentioned to you how impressed I was to see that you could find principles with universal relevance that work equally well for a well-established court such as the SAI of France and for a newcomer in the world of SAIs with Jurisdictional SAIs like SAI SA, where we are essentially a Westminster system SAI (with emphasis on financial and compliance audit) and where our mandate has only recently been expanded to reflect some jurisdictional activities. Despite the two very different SAIs, you managed to create a standard that works equally well for everybody. You focused on principles rather than processes or systems…. And that made it work. I am sure that we will find very different work-processes when we compare SAI France with SAI SA, yet we are bound together by our adherence to the same 12 principles.

So, before I deal with your comments, let me relate what I said above to the crafting of our three pronouncements. In crafting ISSAI 150, we were very clear that we wanted to focus on principles, rather than processes (in exactly the same way you did INTOSAI-P 50), leaving it up to individual SAIs to decide how they give effect to these principles in their processes. Originally we had eight of these principles in mind when we proposed these to the TFIAP (in the meeting where Sebastien attended), but in the drafting process, there were worked down to just 4 principles. In broad terms, the principles deal with:

1. Know what you want in an auditor (*"A SAI should, within its organisational strategy, determine competencies required for all auditors"*),

2. Get the instruments and processes in place to help you recruit and develop this type of auditor (*"A SAI should have appropriate organisational processes, in particular human resource processes, to ensure the appropriate competence of its auditors"*)

3. Apply your mind to providing each auditor with a specific plan or program to develop in line with your expectations in (1) (*" A SAI should develop dedicated pathways for professional development of auditors, specifically tailored to the SAI's mandate and needs, These pathways for professional development should reflect the need for initial professional development and continuing professional development"*), and

4. As appropriate, assess these competencies (*:A SAI should develop and implement means of assessment of competencies, partly to confirm the auditor's successful*

development of competence and to provide SAIs with reliable information on the success of the interventions undertaken")

Process considerations were parked for GUID 7500 and 7600, and even there we tried to be as generic as possible to allow each SAI to tailor these to their unique envionments and requirements. It is perhaps important to note that we believe that a whole host of guidance is possible (and perhaps even required) to give full effect to ISSAI 150. Given the terms of refetence for the TFIAP and priorioty needs from SAIs, we have done the two documents that you have seen already. I am pretty sure that in future years we will see more GUIDS emerge. I know, for example, that many SAIs would want to see more process guidance on HR processes, such as recruitment – something that just make sense (for now leaving aside the argument whether such guidance belongs in the IFPP or not).

Now to your comments (forgive me that I am dealing with these in reverse order):

Comment 2 – I like the idea and although we would need to expand on these, it may be a good idea to indeed add these to the GUID, depending on the views of the FIPP on where that will be appropriate. But even if there would be an argument that it may not belong in the GUID, I am sure that we can find a place for these in other CBC guidance. So – I am happy to see how we can accommodate these in our work.

Comment 1 – This is where I really need your help to understand your inputs. We agreed with FIPP that going for a number of principles would be the best way to provide all SAIs with some requirements as to what should underpin their thinking around the aqcuisition and development of competence. In our work over the last three or four years, we found, over and over, that the four principles shown in the draft ISSAI 150, are inherently present in the work that any SAIs does when it comes to developing the competence of its staff. How they do this (in other words the process consideations) is up tot them, although we do provide some clues in this regard in the GUIDs). I thought that this approach, which in my mind, correlate very well with what you did in INTOSAI-P 50, would have been a rather comfortbale fit for you. I thought the principle-based route that you took was the key to success in making the document work for all SAIs, and believed that following the same approach for competency development, would work equally well, especially given our experiences over the past 4 years.

On your first bullet under comment 1 you talk about "basket of material and issues that should be distibuted to auditors, like tools…", but I battle to understand how you can describe 4 basic principles as a basket of tools.. I fully agree that development of competence is about practices… and at a requirement level we describe these in principle 3 – when we talk about (par 32) of the need for education, training and practical experience, and (par 31) when we talk about option of how you can put together such a program. We can of course add examples to reflect these interactions, but because these differ so much between SAIs, we thought that these are best addressed in the GUIDS. Guid 7600 deals with these quite extensively – read for example STEP 6 where the issues such as mentoring, on-the-job training and learnerships (your apprenticeships) are indeed reflected.

You further note that recruitment does not feature in ISSAI 150, but I find refernce to this in principle 2, par 28 – *attraction and recruitment,* and principle 3 – par 31 where we refer to sourcing resources from a central government HR fundtion (c) and a dedicated recruitment

strategy in (d). The same applies (as you justly said) in the GUIDS. Recruitment does feature and the recrutiment will be done against the competence requirements set out in principle 1.

You then proceed to specific competencies as "non-negotiables", which probably make sense, although I would argue that these do not belong in a document that deals with principles of development. You will find these in GUID 7500, where we do deal with these as part of the proposed competency framework, where these are all reflected in more detail in the proposed competency framework. For that matter, these type of considerations are so important that we have lifted it to the process considerations in the document – see GUID 7500, par 31.

So on all these matters raised, I agree with the importance of these and I am confident that we have flagged these in the document at the level that we believe is appropriate, but I am more than happy to consider giving greater emphasis to these or even lift detail from the GUIDS into the ISSAI, although I do need to caution that I can only reflect matters in the ISSAI that has global applicability.

I have some ideas on how to to reflect these more prominently in the next draft of the ISSAI (which in my book means refinement of adding), but when you then proceed to ask for a revision, I guess you want more.

To my challenge – I need to understand your concerns better and, even more so, your proposed solutions. You have offered extensive commentary and in showing how to respond to these comments, you have provided some hints at what is missing, although you have not proposed reworked or additional text, which would have been very helpful. Your last statement that asks for a full revision is asking a lot, especially since you offer no alternative drafting outline. If, for example, you do not agree with the approach of having principles, what would be the alternative? And if you propose something that is more of a process flow or a reflection of a practice, how would you work around the challenge that these become so specific that it starts excluding certain SAIs.

I hope I have manage to describe my challenge well. As I said, I have learnt such a lot about competencies and the drafting of pronouncements from SAI France, that I do not want to let another learning opportunity pass that can make the ISSAI a better product, but I will need more detail / specifics to really do justice to the comments you provided.

I look forward to your feedback and additional insights.

Kind regards

Jan van Schalkwyk
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Corporate Executive in the Auditor-General's Office • Secretariat of the INTOSAI Capacity Building Committee (CBC)

Auditor-General of South Africa

Tel: +27(12) 422 9823 • Mobile: +27(82)376 2246 • Email: janvs@agsa.co.za • Skype: janvsch

Avisha Ramsoodur

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Executive Assistant to Jan van Schalkwyk

Auditor-General of South Africa

Tel: +27(12) 422 9469 • Mobile: +27(72)595 0775 • Email: avishar@agsa.co.za

Auditing to build public confidence

From: FRENTZ, Rémi <remi.frentz@ccomptes.fr>
Sent: Friday, 30 October 2020 18:43
To: Ramsoodur,Avisha <AvishaR@agsa.co.za>
Cc: LEPERS, Sébastien <sebastien.lepers@ccomptes.fr>; NEGRE, Benjamin <benjamin.negre@ccomptes.fr>; AMIEL, Margaux <margaux.amiel@ccomptes.fr>; ORY-LAVOLLÉE, Bruno <bruno.ory-lavollee@ccomptes.fr>; Van Schalkwyk,Jan (CE) <janvs@agsa.co.za>; Botes, Cobus (SM) <JacobusB@agsa.co.za>
Subject: RE: TF on INTOSAI Auditor Professionalization (TFIAP) - Communique # 7 of 2020

Dear colleagues,

First of all we hope you are all still in good health as well as AGSA colleagues.

Thank you very much indeed for the opportunity of reviewing the three documents you forwarded to us (ISSA 150, GUID 7500 and GUID 7600).
We have well read those draft standards and have some comments to make.
First of all let us say that we thank you for this huge work that has been accomplished by the TFIAP on the matter.

1. However, the draft ISSAI 150 is causing some trouble for us as it appears to convey a too **mechanistic** view of auditors and auditor's skills.
   - The underlying logic of this draft ISSAI is to consider <u>auditor's competences and skills as a basket of material equipment that should be distributed to auditors like tools</u> or components of a motor. In our vision, a <u>different rationale</u> should underlie this text. In our view, competences and skills **are less given as blocks than learnt as practices**. They are acquired through transmission between human beings, and

can come from a mentor, from colleagues or from all the experiences an auditor has had in the course of his or her career. <u>Mentoring, apprenticeship and on-the-job training</u> should be considered as fundamental to any auditor journey towards professionalization. However , if not mistaken, they are not mentioned in any of the documents forwarded.

- The issue of <u>recruitment</u> does neither seem to be addressed in ISSAI 150 (although it is mentioned in the GUID 7500). As we all know, the path to a solid professionalization of auditor starts with the recruitment of qualified candidates with strong growth potential within SAIs. That means that guidelines for quality hiring process should be included in the ISSAI.

- Finally, and despite a few allusions to the "public sector" this draft ISSAI does not highlight the <u>core social skills</u> that are essential when working in the public sector (for instance, integrity, value of the State and the public service ("sens de l'Etat", "sens du service public")). We also think that, beside emphasizing on accounts and financial matters, two other characteristics of the public sector should be better highlighted:
  - o on the one hand, it deals with a <u>wide range of issues</u> affecting society as a whole, and the audit of accounts, bodies and policies therefore <u>requires a broad general culture</u>, including economic, scientific, sociological, historical, geographical, etc.
  - o on the other hand, most of auditors must have <u>solid legal skills in various field (budget, hiring, penal, social, purchase, data ….)</u>.

⇨ As a conclusion, we think that ISSAI 150 could be **revised** to ensure that the issue of competences and skills is not approached only as a mechanical issue but also as a human and more fluid process.

2. As far as the GUID 7500 and 7600 are concerned, **they really** **have a lot of qualities**, especially regarding their appendices which allow concrete and specific cases of study. They provide es**sential methodical tools for auditors** to follow in the course of their work.
   However we would have a **suggestion** regarding GUID 7500 : it could be interesting to add to this guidance a **list of skills and competences areas** in which the auditor must have basic knowledge. Such a list could be the following (<u>we are open to new additions to this list of skills and competences area</u>):
   - Audit
     - Concepts and Principles
     - Methods and practice
   - General public law
     - Constitutional law, general administrative law
     - Civil service law
     - Administrative science
   - Public financial law
     - Budgetary law
     - Public revenue and expenditure law
   - General law
     - Corporate law
     - Labour law
     - Business criminal law
   - Economics and quantitative methods

- General macroeconomics
- Economic policies
- Public economics and welfare economics
- Quantitative methods, econometrics
- Financial accounting
  - General accounting
  - In-depth accounting
  - Management control
  - Financial analysis
  - Corporate finance
  - Analysis of investment projects
- IT and digital
  - General digital literacy
  - Management information technology
  - Office tools
  - Data processing and analysis
- Markets and purchases
  - Purchasing strategy
  - Public procurement law
- Human resources management
  - Personnel policies
  - Social law
  - Compensation policy and payroll
  - Social relations
  - Training
- Writing of findings, analyses and recommendations in proper and understandable language.

Please feel free to contact us should you have any question on our review.

Best regards from locked down Paris,
Rémi