

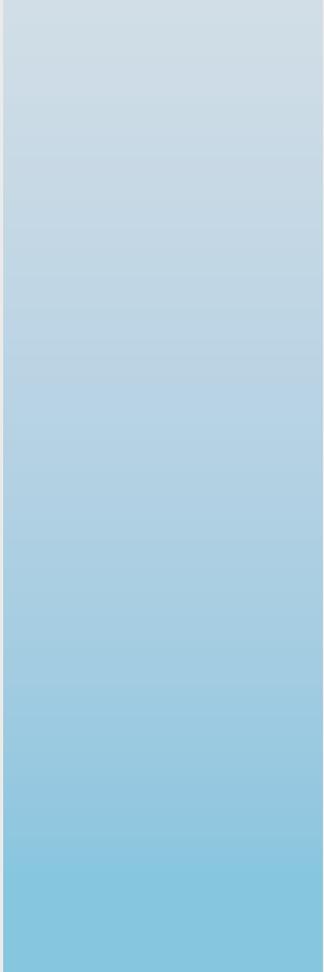
**EXPLANATORY  
MEMORANDUM  
PROFESSIONAL  
PRONOUNCEMENTS  
DEALING WITH  
AUDITOR  
COMPETENCE  
AND RELATED  
REVISION OF ISSAI  
100 - FUNDAMENTAL  
PRINCIPLES OF  
PUBLIC-SECTOR  
AUDITING**



INTOSAI



**IFPP**



## REQUEST FOR COMMENTS

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The exposure drafts of ISSAI 150 – Auditor Competence; GUID 1950 – guidance on the development of competency frameworks for auditors; and GUID 1951 – guidance on the development of pathways for professional development of auditors, were developed by the Task-force on INTOSAI Auditor Professionalisation (TFIAP) under the INTOSAI Capacity Building Committee (CBC).

The exposure of these pronouncements on auditor competence is accompanied by an exposure of a new article on auditor competency management to be added as a new fundamental principle to ISSAI 100 – Fundamental Principles of Public-Sector Auditing.

Respondents are asked to submit their comments electronically by **31 December 2021 to the email address [IR@agsa.co.za](mailto:IR@agsa.co.za)**. Please submit your comments on specific paragraphs using the disposition table that accompanied 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](http://issai.org) website.

The TFIAP 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 in September 2021 (cf. section 2.1 of the due process for the IFPP). The final pronouncement is expected to take effect from 1 January 2023.

Respondents are encouraged to consider the effective date in their comments to the exposure draft.

## INTRODUCTION

1. ISSAI 100 – Fundamental Principles of Public-Sector Auditing is revised by introducing a new article on auditor competency management to be added as a fundamental principle. This new principle sets out the basic premise that SAIs should establish and maintain appropriate procedures for competency management. If endorsed as proposed the principle will apply to all SAIs from 1 January 2023.

2. The purpose of ISSAI 150 – Auditor Competence is to set out the organizational requirements that a Supreme Audit Institution (SAI) shall follow in determining auditor competencies, as well as the recruitment, development, maintenance and assessment there-of. If endorsed as proposed the requirements of ISSAI 150 will take effect for all audits conducted in accordance with the ISSAIs where the audit report is issued on 1 January 2023 or later.

3. ISSAI 150 is supported by two guidelines, as follows:

- a. GUID 1950 – presenting a basic process to help SAIs to determine competencies that will capture the uniqueness of public-sector auditing and fully accommodate the needs of a specific SAI, captured in a SAI-specific competency framework, and

- b. GUID 1951 – Introducing a clear, structured and practical process flow to SAIs to enable them to develop a pathway or pathways for the professional development of their auditors.

### **The authority of ISSAI 150 and the related revision of ISSAI 100.**

4. With the enter into force of the ISSAI 150 – Auditor Competence, SAIs that have adopted the ISSAIs as their authoritative standards must implement and adopt ISSAI 150 in order to be compliant with the ISSAIs (cf. ISSAI 100, art. 10).

5. With the related revision of ISSAI 100, in which a new article 36 on auditor competency management is added to the fundamental principles, SAIs that have developed or adopted national standards that are based on or are consistent with the principles of the ISSAIs must ensure that this new fundamental principle is reflected in their national standards for these to be compliant with the principles of the ISSAIs (cf. ISSAI 100, art. 9).

The new GUIDs 1950 and 1951 are made available together with ISSAI 150 in order to support SAIs in the process of establishing the competency frameworks and develop the pathways required by ISSAI 150. In this way INTOSAI seek to assist the community of SAIs in achieving compliance with the new requirements of ISSAI 150 in due time before they take effect.

## **BACKGROUND**

6. The project to develop the three pronouncements stems from the Strategic Development Plan (SDP) for the period 2020 to 2022, Component 3. The SDP requires a two-step process –

- a. Defining the structure and foundation in current standards, and
- b. Development of individual projects.

7. The first step played off in 2020, with the INTOSAI Governing Board confirming the proposal to opt for fully integrating professional pronouncements on auditor competence in the INTOSAI Framework of Professional Pronouncements (IFPP). This led to the positioning of the key pronouncement on auditor competence at the level of organizational requirements in the framework (as ISSAI 150), backed up by specific guidance documents (as GUIDs 1950 and 1951).

8. A project proposal dealing with step 2 of the SDP 2020 to 2022 was presented to the FIPP during 2021 and approved.

9. The project leveraged extensively on a body of knowledge that was developed in the INTOSAI CBC in the period 2013 to 2019, and most notably two guides (at the time positioned outside the IFPP) dealing with competency framework and pathways for professional development. The work was also informed by a global external research exercise that the INTOSAI CBC commissioned during 2018, dealing with a global inventory of professional pronouncements and pathways for auditors' professionalisation.

10. The project team was constituted with due recognition of the INTOSAI principle of inclusivity, covering a wide range of SAIs, INTOSAI regional organisations and external observers. On the advice of FIPP, the TFIAP also established a small group of external advisors, ranging from experts in competency development and capacity development in public sector auditing to expertise in the field of standard-setting in education and training.

11. In addition, the TFIAP specifically attended to the following to manage quality of the deliverables:

- a. Ensuring alignment with the whole IFPP, and especially ISSAI 100 and other pronouncements dealing with organizational requirements,
- b. Extensive processes within the TFIAP to allow for representative commentary on the three professional pronouncements, all of which was taken into account in the final drafting process through a transparent feedback process,
- c. Consultations with the external advisors throughout the process, and
- d. Ongoing engagements with the FIPP and especially the project liaison officer.

12. The three exposure drafts were further aligned to the new drafting conventions, confirmed by the FIPP in 2021. In the process of approving the exposure draft FIPP has in close collaboration with the TFIAP ensured that the drafts developed were incorporated into the ISSAIs with due distinctions between principles, requirements and application material. This resulted in the proposed revision of ISSAI 100. The need for adequate competencies is already reflected in para 39 of ISSAI 100 where it relates to the individual audit team. By the new para 36 the need to establish competency management at the level of the SAI will also be reflected. This enables the inclusion of ISSAI 150 into the category of ISSAIs 130-199 organizational requirements of the ISSAIs.

13. Having considered the practical implications of the three exposure drafts and taking note of guidance already available in the INTOSAI community (albeit outside the IFPP), the TFIAP proposes the 1st of January 2023 as the effective date for three the pronouncements.

## QUESTIONS TO CONSIDER

14. As determined by the INTOSAI Due Process, comments from SAIs, INTOSAI bodies, INTOSAI regional organisations and other stakeholders, will be welcomed. Respondents are specifically encouraged to consider the following questions:

**Question 1:** Does ISSAI 150 provide a complete, yet practical set of organizational requirements that SAIs need to consider in ensuring that their auditors have the necessary competencies to conduct audits in line with the ISSAIs and the enabling legislation of the SAI?

**Question 2:** Does the four organizational requirements in ISSAI 150, supported by a number of considerations at the level of application material, adequately allow for the concept of “global profession, local solution” to play out? In other words, does this allow for appropriate flexibility for a SAI to apply the four organizational requirements in ISSAI 150 with due cognizance of its unique mandate, enabling legislation, SAIs size and capability etc.?

**Question 3:** Do the two GUIDs adequately assist SAIs to deal with the concept of determining competencies and developing pathways for professional development, as required in ISSAI 150?

**Question 4:** With the introduction of a principle on auditor competency management in ISSAI 100, all SAIs must ensure that the new fundamental principle is reflected in their standards and practice. Do you agree that it is considered a fundamental principle of public-sector auditing that a SAI should establish procedures of competency management as proposed and thereby be included in ISSAI 100?

**Question 5:** When ISSAI 150 takes effect, SAIs that have adopted the ISSAIs as their authoritative standards should be required to implement and adopt ISSAI 150 in order to be compliant with the ISSAIs. Will it be possible for your SAI to achieve compliance with the proposed requirements by the proposed effective date?

