



## **MINUTES OF MEETING**

Committee: INTOSAI Performance Audit Subcommittee - PAS

Date and Location of Meeting: 7 – 9 April, 2014, Novotel Amsterdam City Hotel, Amsterdam, The Netherlands.

Members present:

Norbert Weinrichter, Austria  
Minister Weder de Oliveira, Brazil  
Dagomar Henriques Lima, Brazil  
Maria Lúcia Lima, Brazil  
Louise Dubé, Canada  
Sharon Clark, Canada  
Lone Glahn, Denmark  
Inge Laustsen, Denmark  
Neil Usher, European Court of Auditors  
John Sweeney, European Court of Auditors  
Ildikó Salamon, Hungary  
Ágnes Daróczy, Hungary  
Annie G. Mathew, India  
Hossein Nooreini Gargari, Iran  
Hadi Favachi, Iran  
Frank van den Broek, Netherlands  
Therese Johnsen, Norway  
Camilla Gjerde, Sweden  
Alexandra Popovic, Sweden  
Selmi Nesrine, Tunisia  
Iain Johnston, UK  
Anu K. Mittal, USA  
Archana Shirsat, IDI (8 April)  
Terri Freeman, IIA (observer)  
Daniela Danescu, IIA (observer)  
Anna Olesiewicz, Poland (observer)

### **Day 1 – 7 April 2014**

Opening and introduction:

Opening by Hans Nieuwlands, CEO IIA Netherlands and by Carolyn Dittmeier, member of the IIA Global Executive Committee. She said that Performance Audit is one of the most important areas in which the IIA and INTOSAI may collaborate.

Introduction by Kees Vendrick, member of Dutch Court of Accounts. He highlighted that SAIs play an important role in verifying if the money is spent wisely and in an effective and efficient way.

Introduction by Weder de Oliveira, minister of Federal Court of Accounts of Brazil. He highlighted the discussion about ISSAI 3000.

Call to order and introductions. The meeting was called to order at 9:00 a.m by Dagomar Lima, INTOSAI PAS Chairman. Attendance was noted and self-introductions were made by the attendees.

Meeting agenda and presentation of new participants – Dagomar Lima

The agenda was reviewed and approved.

The discussion focuses on four main areas: draft ISSAI 3000, structure of level 4 of ISSAIs, new project proposal for elaboration of ISSAIs of level 4 and self-evaluation of the PAS standard setting function.

Dagomar announced the request from Georgia to be a PAS member.

Dagomar presented the key conclusions of the feedback from the Financial Audit Committee Workshop 2014. FAS underlined the need of a more dynamic approach to develop and maintaining the level 4 “1000” series ISSAIs and a higher profile in the IAASB community. FAS also discussed the relationship FAS/CAS: ISSAI 1250 versus ISSAI 4200.

News from Eurosai meeting – John Sweeney

John presented the SAI of Germany contribution (by Werner Pelzer). He discussed about the relevance of ISSAI in the German context (they did a gap analysis and identified specific issues: risk assessment, follow-up, code of ethics, quality control) and the parallel workshops on using ISSAI 300, 3000 and 3100 series. He also mentioned the presentations: from IDI – iCAT and handbook, 3i programme (Shofiqul); about ISSAI Harmonisation Project (Inge), history of PA standards (Norbert).

News from FAS meeting – Neil Usher

The new chair is the SAI United Arab Emirates. Context: level 4 is consistent with ISAs. There is a close relationship with IFAC. Full implementation is deeply challenging for many SAIs. Decision: a more dynamic approach to developing and maintaining the level 4; a challenging and ambitious work programme for 2014 to 2016. Discussion: What to do with ISSAI 1000? It is redundant with new 100/200. There is an opportunity to do something new. There is a possibility to reformulate it as a road map. FAS is coordinating with PAS and CAS. There is some overlap between compliance and financial standards in ISSAIs.

Dagomar Lima commented about CAS meeting last year and the conversation last week with Khalid (Chair of FAS) and Jens (Chair of CAS) about ISSAI 1000. FAS will take the lead about the roadmap.

Iain – It is a good idea to explore a road map regarding ISSAI 100 and 1000. Question: Would the road map replace ISSAI 1000? What will be the nature of this document? Is it a standard? We are concerned that ISSAI 12 is so high level that perhaps it is not a standard. A lot of work is done and should not necessarily be a standard.

Neil – if the document that emerges is more like a guidance, so be it. The substance is much more important than the form. Should have some kind of contract with IDI as how we will work in the future?

Dagomar – The ISSAI structure is in discussion. Four of our comments to PSC about structure refers to the dual nature of level 4: standards and guidelines. He thinks that not only level 4 will change. This issue appeared last week in the PSC leadership meeting in Copenhagen.

News from the PSC leadership meeting – Dagomar Lima

1) Evaluation report on INTOSAI’s standard setting

2) Coordination among Subcommittees (accreditation of PA auditors, drafting conventions for level 4

Dagomar presented a summary of the PSC meeting from Copenhagen (April 2014).

The main purpose of this meeting was to begin the evaluation of the standard setting function of PSC (SSF). The sustainability of this function was analyzed. There are many initiatives. One is a survey (already posted in the PAS online community). The numbers are very positive. In the survey, it was considered an opportunity of improvement if the score was 70% or below. About half of the SAIs surveyed has completed the questionnaire.

Some preliminary conclusions can be drawn from the survey. SSF has limited participation of external partners, but they add value. It was identified a need for improving the feedback from the field. In addition, it needs to be developed a common voice and there is a need to learn from the experience of the developed countries. Dagomar also presented the evaluation from the IDI point of view (a work in progress), consisting of a survey and SWOT from facilitators and experts of the 3i Programme.

Hadi and Neil asked about the benchmark. Neil suggested IPSAS.

Dagomar said that CAS, FAS and PAS are working together and that it is surprising we have not start it before. He have asked for guidance from PSC and they said the subcommittees should coordinate among themselves. Last year Dagomar had a meeting in Brasilia with CAS and some videoconferences. A discussion paper was debated among the Subcommittees last week in Copenhagen. Result: an extension of the drafting conventions for level 4 ISSAIs.

Dagomar showed the proposal for amendments to drafting conventions. Highlights:

- Distinction between guidance and requirement.
- Discussion about consistency. What is consistency?
- We can have requirements directed from level 3 and also additional requirements. The explanation should follow immediately the requirements.
- We may have conditional requirements: specification in the introduction, scenarios, further “guidance”.
- In the explanatory texts, we will not use should or shall, but words like advised, may, need to, have to etc.
- Numbering.

There were many comments and concerns about the drafting conventions. Inge asked about numbering. Sharon asked if there is anything else about 3000. Alexandra asked how it influences 3100. Frank was wondering about the word guidance. Dagomar explained and said that we need a template based on the drafting conventions to guide the work on level 4 and asked for volunteers to write a proposal. Therese asked what the position about the ISSAI structure is and Dagomar replied that it is still open for discussion. Camilla said that if we have the explanation in the 3000, it would look like ISSAI 300. Dagomar agreed, but said that we will have additional requirements and some auditors do not understand the difference between explanation and guidance. Inge said that we could move some text from 3000 and Frank agreed. Dagomar said that we can copy from level 3 and then improve it by searching in other sources. Sharon said one idea is to make 3000 almost like 300 for the sake of consistency and asked if it is consistent with FA. Camilla asked who is implementing the ISSAIs. Dagomar answered that CAS and FAS are working on it with IDI. Dagomar said, as an example, that SAI Brazil is writing a manual about FA, based on ISSAIs as guidance to auditors. Norbert shared his concern about having many levels in ISSAI 3000 and to not duplicate the explanation from ISSAI 300. Frank said he was not sure if we should add more requirements on the 3000 and Dagomar disagreed. He suggested that the group discuss this issue during the meeting. Dagomar said that other standard setters (example – GAO) have more detailed requirements. He thinks we need these additional requirements to make clear for the auditors what we mean by a high quality work. Hadi said that maybe we should call practice note instead of explanation. Neil explained that practice notes is how to interpret the explanation for the public sector. Therese said the conclusions and the scope of the audit types are different. If we have too many requirements, we might not be able to narrow our scope. Dagomar agreed and said that we can see the fights behind the documents (level 3). In some cases, this disagreements may harm consistency. The harmonization group tried to avoid inconsistency between audit types principles. Anne agreed that new auditors need a lot of explanation. Dagomar emphasizes that there is a demand for explanation. Hadi said that there is need to show the difference of the 3 types of audits in the guidance.

Dagomar suggested that we should use other sources of information. For example, the Joint committee on standards from Educational Evaluation – JCSEE, UNEG and OECD – INTOSAI GOV 9200, GAO. He presented also the demand from PSC for additional guidance on the 3 e’s.

#### News from XXI Incosai in Beijing, 2013 – Norbert Weinrichter

Norbert shared that the information about this huge event (546 delegates, 158 SAIs, 33 observers, 19 associate members) is available on the INCOSAI website. He mentioned the new representatives in Governing Body and the newly elected chairmen.

The congress focused on two theme reports: 1) National Audit and national governance, and 2) The role of SAIs in safeguarding long-term sustainability of finance policies.

List of ISSAIs adopted – one of them was ISSAI 300.

He shared with the group his idea that public sector standards should add value. ISSAI 5500 – about disaster-related aid is a very good example on how public sector can add value.

After the information, Norbert presented his impressions about the meeting:

- INTOSAI visibility has increased, people have expectations.
- Independence is supplemented by a second topic: what the expectations from the SAIs are (“give and take”)
- “Professionalism, quality, credibility” – that is what they expect from us.

About the ISSAIs, Norbert said that:

- Principles (level 3) are more abstract than standards;
- If you have national standards, you don’t have to use ISSAI 3000, as long as you comply with level 3.
- The purpose of 3000 is: if you don’t have national standards, you can have something to refer to.
- The current ISSAI 3000 draft is not clear enough to add credibility to the PA function. So, what to do?

Dagomar mentioned that many countries do not have their own standards. That is why he is insisting on more explanation. He shared an example about the sub-national organizations in Brazil whom are willing to comply with the ISSAIs for credibility matters.

Dagomar said that people are not very satisfied about the structure of ISSAIs. He raised a question about what type of documents the PAS should write. Example: There are many documents about how to audit IT written by working groups in the KSC. Some SAIs wonder if general guidance on the three audit types should be written by KSC as well.

Neil talked about the working group in charge of writing the standards for disaster-related aid (sustainability issue) and the need of making sure the standards are bringing the necessary issues.

#### PSC meeting (continued)

Dagomar said that the evaluation of the standard setting function should consider issues such as what the common understanding are of consistency, standards, sustainability, professionalism, productivity. Norbert said the survey on the SSF shows one perception and that the PSC proposal to reformulate it does not match this perception. Dagomar said that besides the survey, the SSF evaluation is also based on a benchmarking exercise and different consultations from the field perspective. Norbert thinks that seeing the proposals from the PSC, looks like we are restricted to propose more requirements. Dagomar suggested that maybe we should include in ISSAI 3000 issues that are more specific to PA. Norbert thinks that people from the field are not the ones who answer the PSC questionnaire. He thinks that sometimes those surveys are not answered by the technical people, but by the international unity or other people. Norbert emphasized that he is not against collecting feedback from the field, but he thinks that PSC should ensure that the feedback is really provided

from the field. Dagomar thinks the idea is to link feedback from the field to design of the actions and have a way to provide administrative support for the committees.

Therese asked if Dagomar was talking about the future of the work of PSC and he answered that he thought some modifications will happen in 2016 and that PSC is devoting much time to discuss a sustainable solution to the SSF. Anu commented that it looks that the main concern is about funding for a sustainable solution but how would it be if they do not have resources for today. Dagomar said that the evaluation is part of a broader strategic discussion for the Intosai future. Neil said that the standards should provide the basis for training and for accreditation. Norbert disagreed and said that there is a need to legitimize our work to build a defense line. There is a big difference in have a boundary, a minimal set of requirements, and in how to educate PA auditors. Those things are not so related to standard setting. Dagomar said that standard setting and education are connected. If there are standards about planning, you need to educate people about how to plan. It is important to have requirements to help to know how to do the work. Sharon agreed but thinks that right now we should focus on the standard. Dagomar agreed. Frank said it is important to have a minimal set of standards. Neil said that a lot of SAIs are looking at INTOSAI and we need to provide these foundations to PA work. Dagomar said that we may say that the requirements could be the basis for the PA work.

### Draft of the ISSAI 3000

Dagomar suggested having a look at the draft and then discussing the options.

- Option 1 – ISSAI 3000 should translate 300 into shall requirements. No additional requirements should be added.
- Option 2 – ISSAI 3000 should elaborate a bit more on the 300 and give some details and some extra requirements. Enough details to be used by SAIs that do not have their own standards.

Anu and Camilla asked for explanation about option 2. How to elaborate? Are we talking only about more requirements or more explanation? Therese asked if Dagomar could elaborate on the background on the new proposal. Dagomar answered that when we started level 4, he asked PSC for guidance and they told that the subcommittees should coordinate among themselves. There were some videoconferences and a meeting last week. Camilla asked why we should harmonize the level 4 with CAS and Dagomar argued that it is because of consistency. In his opinion, it would be better for users if there were documents with the same structure and numbering. Mainly for those SAIs that conduct the two types of audits together. Camilla said it is important that level 4 have consistency with level 3. Norbert emphasized that we need to consider carefully what we have to do in the job of reformulating the draft ISSAI 3000.

Neil said that we need to state requirements and explain it, regardless what the committee says. Dagomar mentioned that in Bahrain PSC is going to adopt an extent to the draft conventions. PAS and CAS need to agree with something because we need to be more consistent in governmental auditing. Therese said the CAS and PAS framework are different and asked how close we are going to adopt the same structure because she thinks we are on a higher level compared to CAS. Dagomar said that the internal structure of standards for PA and CA should be the same and the explanation should be about concepts and meaning of the requirement. Norbert suggested moving to a specific requirement and seeing how it works in this. Dagomar agreed and suggested that the group look the draft of 3000 and then do the exercise.

### **Day 2 – 8 April**

#### Remaining issues related to draft ISSAI 3000

Dagomar presented a comparison among ISSAI 300, draft ISSAI 3000 and other existing ISSAIs in level 4. There were 25 new possible requirements. He gave an example about ethics and Norbert, Anu, Annie, Alexandra, Camilla, Therese, Archana, Hadi and Iain presented comments and suggestions. Dagomar suggested that the group analyzed each point and decided what should be included in the ISSAI 3000. The group discussed the points presented in the comparison table and decided if to add requirements in 3000 draft.

The group start discussing audit evidence (par. 28 of the draft). Norbert said that it is another good example of what a requirement should be. For example, the last bullet should not be a requirement. The exercise of comparing the other documents (ISSAI 3000, 3100, 300) is good but is not enough because the other documents did not mean to be a requirement, but a guidance. Explanation is different from guidance. Dagomar asked if it is enough to explain an abstract concept with explanation. Archana commented that people will ask: If there is a requirement and an explanation, if you meet the abstract requirement, are you complying? What is the difference between the requirement and the explanation? The question would be: if a SAI looks at the standard, can they say they meet the requirement if they don't meet something that is in the explanation? Weder commented that we need to see what will be written as explanation or guidance. Dagomar said that we are creating this interpretation now. Norbert suggested ted that we should put it more precisely. Dagomar stated that the majority is agreeing that details are important but should be included in the explanations. Anu replied that some of them are requirements. Which ones? Dagomar, Anu and Norbert discussed about the issue. Anu said that in her country they are all requirements. Norbert said that he thought we could not write new requirements but now he thinks we can and he feels that there are some requirements missing. Frank agreed and said that he feels more confident when he has the requirement and the explanation about it. Dagomar commented that he thinks when we write the guidance, we should reach some points where we will need more explanation (or requirements). Neil was not sure about what is a requirement is and what is an explanation is. Dagomar said the definition is under discussion.

#### Harmonization Project remaining issues related to level 4

Norbert said that the Harmonization group had received 265 comments and 84 were relevant for level 4. 30 were on framework, elements, authority, assurance etc. 38 on general requirements and 16 on process. He thought that those comments could be a good starting point for the people will going to write the guidance. Dagomar asked if there is any requirement missing, based on the comments. Norbert answered that, aside from ethics, he thinks there is no more need for requirements. Dagomar mentioned that Argentina sent a comment to HP about the 3 e's and that the definition on effectiveness is confusing in the ISSAI 3000. Norbert said the definitions about the 3 e's are not consistent between 3100 and 3000 and we need to be aware of it. Inge asked where we should put the definitions and Camilla said that it is already defined in the 300. Sharon mentioned an acronym created in Canada to help understand PA: **M**oney, **A**ccountability, **T**ransparency, **C**ompliance, **H**ealth, **E**nvironment, **S**ecurity. Therese, Dagomar, Annie and Hadi commented on the importance of have a precise definition on the 3e's.

#### Remaining issues related to the draft Level 4 structure – Frank van den Broek

Frank presented an update on the proposed structure for level four: first, he presented the process to develop the guidelines. Then he presented the main points of discussion on Moodle: assurance should be addressed in 3100 and 3200; proposed structure is not comprehensive; having guidance papers and guidelines is confusing; if level 4 should stick to standards only; governance and the place of compliance in PA should be addressed in guidelines. After, he explained the new draft structure.

Frank proposed some themes to be discussed into the group: 1) shall we use the word guidelines or guidance?; 2) do all the "shalls" need some elaboration?; 3) the need of a template for drafting the guidelines; 4) the need to keep informal documents; 5) do we draft 3000 first or can we choose some topics already?; 6) need to elaborate (on good governance, compliance within PA, compliance and assurance).

The group discussed if the guidance is for the SAI or the auditor. Dagomar said guidance explains how to implement. It does not need to directly address the auditor.

Decision about the discussion themes:

- 1) The group agreed to use the word "guidelines".
- 2) We need to add more information.
- 3) We need a template for drafting the guidelines.

- 4) We will leave this decision for the future.
- 5) We need to start now because of the deadline (May 2015).
- 6) Decision – from now, we do not include other issues.

The participants formed four working groups as follows:

Table 1

Working group	Project	Participants SAIs
<b>Standard for PA</b>	Adapt the draft standard for PA to the amended drafting conventions and write explanations – planned to become ISSAI 3000.	Austria, Brazil (team leader), India and USA
<b>New concepts</b>	Central concepts for Performance Auditing – planned to become ISSAI 3100.  Building of new concepts (definition of PA, intended users, subject matter, confidence and assurance, audit approach, audit risk)	Norway and Netherlands (team leader)
<b>Existing concepts</b>	Central concepts for Performance Auditing – planned to become ISSAI 3100.  Reviewing existing material – independence, audit objective, audit scope, audit criteria, communication, skills and consultation, supervision, professional judgment and skepticism, quality control, materiality, documentation.	Canada (team leader) and Hungary
<b>Guidelines</b>	Performance auditing process – planned to become ISSAI 3200.  Planning, conducting and reporting	Sweden (team leader) and Denmark

About the template of the guidelines, Neil will make a proposal and send to the group.

### 3i Program news and report on ISSAI Implementation cases – Archana Shirsat

First, she presented the revised IDI Mandate, the 3i programme objectives and results. Then she presented the ISSAI implementation framework. She said that there are 83 SAIs and two sub-national audit offices participating in the program. Together with INTOSAI there are the following implementation partners: USAID, World Bank, UNITAR – e-learning partner.

Then Archana presented the Phase 1 results obtained so far (iCAT draft version 1, ISSAI Implementation Handbooks draft version 1, 117 PSC-IDI certified ISSAI facilitators, five 3i management workshops held and the 3i community portal) and the implementation data.

After that, Archana presented the 3i plans, raised some issues regarding ISSAI implementation and talked about the way forward and the cooperation with PAS.

### Day 3 – 9 April

#### Performance Measurement Framework (PMF) news and application case – Maria Lucia Lima

First, Maria Lúcia explained what is SAI-PMF (a Performance Measurement Framework tailored to SAIs), its structure and terminology. Then she presented the reasons to use the PMF and the pilot conducted in SAI Brazil.

#### Evaluation of knowledge sharing platform (PAS community of practice) – Inge Laustsen

First, Inge reminded the discussion had in the 6<sup>th</sup> PAS meeting about the possibilities in using a knowledge sharing platform and the decision on taking one year of gathering experiences with Moodle. The other option was Pleio (Eurosai). Then she presented a graphic showing Moodle access and some pictures of Moodle. Around 50% of the members have never accessed the platform. To conclude, she put some issues to discuss: 1) What are your experiences with Moodle?; 2) Why are you not using Moodle?; 3) Should we take another year of gathering experiences with Moodle and Pleio?

The participants talked about their experiences with Moodle, some said that they are not using Moodle because of password problems and difficulties to understand how to access the platform. The group agreed to take another year gathering experiences.

#### Volunteers to host the 8<sup>th</sup> PAS meeting

Annie Mathew (from the SAI India) kindly suggested hosting the next PAS meeting in Delhi in 24-25 March 2015. She will validate what is possible to do with her Office and will confirm with Dagomar Lima.

#### Decisions made

- 1) We have to have clear definitions about requirement, explanation and guideline. Where should we write it? Send to PSC as a suggestion for definitions.

**Requirement** – the group didn't suggest a definition.

**Explanation** – is about concepts and meaning of the requirement. In the explanatory texts, we will **not** use should or shall, but words like advised, may, need to, have to etc. To include the reasons for the requirement. Why.

**Guideline** – explains how to implement the requirement. Giving the way of the practice.

- 2) Comparison among ISSAI 300, ISSAI 3000, ISSAI 3100 and draft of ISSAI 3000. Most of the “missing requirements” are, probably, explanations. The group in charge of adapting draft ISSAI 3000 to the amended draft conventions and writing explanations will take a look of those requirements.
- 3) Guidelines – ISSAI 3100 and ISSAI 3200 – see the comments sent to harmonization project.
- 4) Another input for generating ideas – 3i Handbook for PA. Specify the primary and subsidiary sources.
- 5) Guidelines or guidance? Guidelines.
- 6) Do all the “shalls” need at least some kind of elaboration? We do not know yet. The group in charge of write explanations will analyze this and make proposals.
- 7) Do we need a template for drafting the guidelines? Yes. Neil will make a proposal by April 14 (next Monday).
- 8) Do we want to keep *informal* documents (to be flexible)? Informal documents are a way of starting the process of ISSAI elaboration in PAS. This issue will be further discussed in the next meeting.
- 9) Do we draft 3000 first or can we choose some topics already? We need to start now because of the deadline (May 2015).



- 10) Do we need to elaborate on good governance? Not now. Compliance within PA? Will be embedded in different topics of ISSAI 3100. Specifically in audit approach. Assurance? Will be in ISSAI 3000 and 3100. Appendix of ISSAI 3100? Leave it as it is. Some parts of it could be used in ISSAI 3200. The leftovers could be discussed in India.
- 11) We will send the drafts to IDI for comments after the second version.
- 12) Minutes – Maria will put it later in the Moodle for your comments.
- 13) Host – India – 2 days – March 24.
- 14) Working groups – The schedule is as agreed.

### Evaluation/Group discussion

#### **Benefits**

- Splitting into small groups and shift among tables
- Date of the meeting and meeting at the hotel
- Face to face interaction is more productive
- Thanks to the IIA, to Dagomar for patience and good humor and to Frank for the dinner and the wine
- We made progress
- Exchange of views
- Constructive tone
- Comparison table (but too late)

#### **Concerns**

- Disposition in tables (U shape is better)
- Mandate unclear
- Draft conventions after work done
- The work process should be presented by the team leader
- People should have the opportunity to talk about the work in the beginning
- Should prioritize difficult topics, take less time on other issues and have specific topics for comments
- 3 days is a bit long / Subgroups should/could come a day ahead (pros and cons)
- Progress was confusing/slow and some issues were raised but not resolved
- Sequence of the agenda didn't seem logical
- News about PSC were too detailed
- Some overlapped work (comparison table) / Lack of communication

#### **Actions**

- Discussion in Moodle more broad, not only about the documents
- Keep the PAS members more informed about things that affect them
- Create a news forum (Dagomar explained that the news forum was created in June 2013)
- PAS members should use the Moodle platform
- Ask PSC, IDI, ... what are the expectations and try to address it
- Subgroups will meet informally before the 8<sup>th</sup> PAS meeting if they want
- Prioritize/prepare topics for the meeting

Adjournment – The meeting was adjourned at 5 p.m., 9 April, 2014.