



COMPLIANCE AUDIT SUBCOMMITTEE
Meeting in Batumi, Georgia the 27th–28th
September 2011
Minutes

Day 1 – Tuesday 27th of September

Agenda item I Opening/introduction by host & chair

The ninth meeting of the INTOSAI Compliance Audit Subcommittee was held in Batumi, Georgia and hosted by the Chamber of Control of Georgia. The meeting was opened by the chair of CAS, Mr. Jens Gunvaldsen. Mr. Gunvaldsen expressed gratitude to the Chamber of Control of Georgia for their hospitality and excellent preparations for the meeting.

Mr. Gunvaldsen elaborated on the objective of the meeting, which is to contribute to further high quality and globally accepted guidelines for compliance audit in the public sector. The aim is also to establish the committee as a strong, professional hard-working group contributing to the world wide adoption and implementation of the guidelines.

Mr. Gunvaldsen drew attention to the loss of a committee participant at the last meeting, Mr Omir Lavinias of the Brazilian Court of Audit.. Further, remembrance and respect was payed to the Georgian student, Miss Tamta Lipartelliani, who was assasined at the terror of Utøya in Norway this summer. The committee expressed mourn and respect for these two losses with one minute of silence.

Mr. Gunvaldsen welcomed the CAS members from Brazil, Denmark, the European Court of Auditors, Namibia, Slovakia, Tunisia, Lithuania, India, Mexico and Georgia. Mr. Gunvaldsen especially welcomed the new committee members from China and Romania. He also informed that Sweden had withdrawn from the committee, and was participating in the meeting as an observer.



Agenda item II Reporting from the PSC steering committee meeting

Mr. Gunvaldsen gave the committee a summary of the last meeting in the steering committee of the Professional Standards Committee (PSC) in Wellington, New Zealand 22.–24. June 2011. The meeting focused on the three main areas, defined both in the INTOSAI strategic plan and the strategic plan of the PSC: awareness raising, harmonization and maintenance.

Representatives from different regions gave an overview of an impressive number of activities all around the world on **awareness raising**. There is a need of identifying awareness raising and training, where INTOSAI, IDI and the donors have an important role to play. The following points were underlined:

- Speed up the work and include aspects of implementation
- Focus on all levels
- Gather experience and distribute it on the websites and regional secretariats
- Translate material into French, Spanish and Arabic
- Linkage to value and benefits

The PSC and the INTOSAI secretariat in Vienna underlined the **harmonization project** as a critically important project, crucial to the successful implementation of the ISSAIs. The culture, concepts and line of thinking is slightly differing between the subcommittees, and great profit can be gained from uniting this into a common approach. The project requires moving up one level utilizing a bird's eye perspective, and will have considerable influence on the future development of compliance audit.

The frequency of the **maintenance** review should be published by November 2011.

The use of the ISAE 3000 series from IFAC was also discussed, and CAS stated clearly that our advice is to use the ISSAI 4000 series instead.

Agenda item III Awareness raising

Awareness raising is crucial for the implementation and use of the ISSAIs, and for the role INTOSAI can play in the public sector. Ms. Erna Lea gave



a presentation on the awareness raising activity in relation to the ISSAIs, both in the strategy project team of the PSC and at CAS level. The CAS chair is representing CAS in the PSC strategy project team. The monitoring activity of the PSC shows that SAIs are moving rapidly in the implementation process, and that there is an urgent need for awareness raising and training material. Ms. Lea underlined the importance of the work of all members of CAS in their SAIs and regions to collect practices, share training material, participate at several regional and local arrangements to promote the new international standards and discuss issues concerning implementation. Further, there is a need to strengthen the CAS subgroup on awareness raising.

Mr. Jens Gunvaldsen commented that awareness raising is one of the most important things we can do as a committee, and invited the committee to reflect on what we can do to strengthen this work. Numerous ideas were shared by the committee members, both on the need for information about the implementation process and concerning implementation material. The SAI of India also reported that as a follow up of the CAS meeting in Oslo last year, the SAI of India has now incorporated the ISSAI 4000 series on Compliance Audit into their international training program. Interest and commitment to participate in further development of awareness raising material and activity was expressed by the committee members. The chair was pleased by the commitment of the members, but also pointed out that the activities of the CAS need to be coordinated with the PAS, FAS and PSC.

Agenda item IV Harmonization project

Ms. Mona Paulsrud from the chair and Mr. Niels Erik Brokopp from the European Court of Auditors gave an introduction on the work of the harmonization project and the CAS harmonization group, consisting of the chair, Slovakia and the European Court of Auditors. The harmonization project task is to produce drafts to a new set of documents at level 3 of the ISSAI framework:

ISSAI 100: The Essence of Public Sector Auditing

ISSAI 200: Principles of Financial Auditing

ISSAI 300: Principles of Performance Auditing

ISSAI 400: Principles of Compliance Auditing



The development of level 3 will influence the further development of the ISSAI 4000 series at level 4. The ISSAI 400 draft was presented by the project group for discussion in the committee. The final structure and logic of the documents is still to be developed. The project group specifically focused on the definition of Compliance Audit in the ISSAI 400 draft.

The presentation received support from many committee members: the holistic approach of CAS would be interesting to other audit types as well and that the approach described would be useful in combining different audit types in a practical approach in a SAI.

Ms. Erna Lea commented that the purpose of compliance audit, being good public governance as defined in the ISSAI 4000, should be included in the definition.

Mr. Jens Gunvaldsen said that the draft is expressing the essence of compliance auditing. There is an introductory document at level 4 of 1500 pages. The draft 400 can be used as a welcoming text for new auditors. He encouraged all committee members to read the draft in depth.

Mr. Manfred Kraff noted that the committee was able to discuss the draft at such a high level, and as a part of the project group he was happy to get feedback. He pointed out that a common structure in the documents will simplify the reading and that the existing level 3 documents contain a lot already that can be used.

The committee was given the opportunity to submit written comments to the group on the ISSAI 400 draft before **the 28th of October 2011**. The CAS harmonization project team will continue working with the committee as a back office function for input into the harmonization project.

Agenda item V Exposure draft ISSAI 4300

Mr. Gunvaldsen gave an introduction to the draft ISSAI 4300 presented by the CAS subgroup on court of accounts issues. Mr. Gunvaldsen cited the chair of the PSC, Mr. Henrik Otbo, who emphasized the importance of the standards being applicable for all kinds of SAIs, and that the Court of Accounts should not be forgotten in the making of the standards. CAS is



fortunate to have several court members, and a section on courts is already developed in the ISSAI 4000 series. The draft ISSAI 4300 is not only important for the courts, but for the credibility of INTOSAI as a whole. The making of a standard is a long process. As standards are intended universal guidelines and therefore very important, they take longer time to produce than initially expected.

Mr. Mourad Bengassouma and Ms. Amel Elloumi Baoueb from the Tunisian Court of Accounts gave an introduction to the present draft ISSAI 4300 and the need for a specific standard for Court of Accounts. The draft presented to the committee is a work in progress and will be strengthened by a survey conducted to all court of accounts. The main argument for the need of an ISSAI 4300 is that when the audit process is followed by an instruction and a judgment phase, the possible outcome of personal and financial liability puts specific requirements on the audit process. This includes both in the planning, executing and conclusion phase to obtain enough evidence to take the decision of prosecution or not. The ISSAI 4300 draft does not cover the instruction or judgment phase, but the specifics of the audit process in the court system not yet covered in the ISSAI 4000 series.

The chair then thanked the CAS subgroup for a splendid presentation and invited the committee to reflect on the following questions:

1. What would be the specific purpose of a possible ISSAI 4300?
2. Does the proposed ISSAI 4300 address the characteristics of the courts and the additional considerations of the court of accounts environment in a sufficient and adequate manner, or are there other issues such a document should consider?
3. Should a possible ISSAI 4300 be a product in line with the existing structure of ISSAI 4100 and 4200 or in line with the proposed structure from the project group?
4. Does the ISSAI 4300 draft introduce issues relevant for SAIs other than courts of accounts, and should any of these issues be made relevant as maintenance issues in the ISSAI 4000 series as a whole or in the harmonization project?
5. Should the court of accounts approach consider specifically some existing elements of the ISSAI 4000 series?



Ms. Erna Lea congratulated the CAS subgroup for having accomplished a first draft, and for being a proud opener for new arenas and for clarifications in the presentation concerning personal and financial liability. She also highlighted that many issues raised in the ISSAI 4300 draft are of importance and interest outside the court model, for instance the issue of planning and execution of the state budget. Some of these issues are also of relevance for PAS and FAS. The court of accounts subgroup should therefore work in close cooperation with the harmonization group.

Mexico has the structure of a Superior Audit Office with a legal mandate that focuses on the revision of the Public Account and does not involve the application of personal liabilities to public servants, like most Court of Accounts or Accounts Tribunals would. This should be taken into consideration in the document. Further, many of the things described are not a matter of auditing and should be regulated by law.

Romania is a Court of Accounts. Many of the definitions, like personal liability and injunctions, are not in line with the audit practice and procedures in Romania. The conclusion is that each country and each court differs.

The European Court of Auditors commented that several concepts in the document need to be in line with the terminology of other standards. The concept of objectivity as an example needs to be in line with the concepts of professional judgment and professional skepticism.

Ms. Mona Paulsrud commented that the basic idea behind the document: that the outcome of an audit might be a possible judgmental process, and that this influences the audit procedures both in the planning, execution and conclusion phase, is valid. But the document has yet to communicate explicitly and on high level what these specific elements are. She also encouraged closer communication between the ISSAI 4300 group and the harmonization group.

Summing up, the committee agreed that the basic idea behind the ISSAI 4300 is valid. The need for a standard on court of accounts issues stems from the fact that the quality of the audit evidence is specific, as the consequences of decisions are severe. In order to achieve a document at a standard level the concepts need to be at high level. It is important to



define the audit objectives and tasks of the courts as in terms of subject matter and assess the relationship between the audit phase and the judgment phase. The ISSAI 4300 should therefore be developed further at a more generic level to be applicable for all courts, and take into consideration the comments made by the committee members and the outcome of the questionnaire. There should also be established a communication mechanism with the harmonization project.

The court of accounts subgroup also opened for written comments to the draft before the **30th of November 2011**.

Day 2 – Wednesday 28th of September

Agenda item VI Experiences and lessons learned from the implementation of the ISSAI 4000 series

The committee was divided into three groups discussing the experiences and lessons learned from the implementation of the ISSAI 4000 series so far. The discussions were based on written input from the committee members beforehand. The groups were asked to consider if specific maintenance issues arise from the implementation experiences.

Mr. Gunvaldsen summed up the discussions, stating that they were productive and focused on the need to find the subject matters most important for parliament and stakeholders. The groups came up with the following issues:

- Application material: risk assessment & materiality
- How to rely on the work of other auditors
- Conclusion form – consequences
- Pervasiveness (new conclusion form – what does it mean)
- Awareness among stakeholders
- Reliability of statistics



- Sampling
- Opinions vs. conclusions – make use of the different types
- Combinations of audit types
- Case studies and examples
- Subject matter
- Qualifications of auditors/resources

One group also raised the question if there is a need for a standard on the planning of an audit – how to choose the subject matter. In the planning process, the use of materiality is crucial. The group discussed thoroughly the concept of materiality in the public sector and suggested the following as a starting point: Materiality in the public sector may be defined by amount, by nature, by context and by the prescribed time period.

Agenda item VII Maintenance

The committee concluded to set the maintenance frequency to **5 years** the first time, and then gain experiences on the time needed for these procedures in light of the INCOSAI procedures, which takes place every 3 years.

SAI India presented their model for audit sampling, which is a multi-stage sampling, not leading to an opinion but aimed at providing assurance to the stakeholders.

Experiences and viewpoints were exchanged among committee members relating to audit sampling.

Mr. Gunvalsen summed up that these exchanges of experiences are most useful for the committee and should be developed further into maintenance issues.

Already at the CAS meeting in Stockholm 2009 a set of maintenance issues for the ISSAI 4000 series was defined. All committee members were asked to choose one of these issues and describe their experiences



in a short paper. The description should be as concrete as possible, and end with a methodological reflection. On the basis of these papers, the maintenance discussion will continue at the next CAS meeting.

The committee members choose the following maintenance issues to work on further:

- Materiality: China, Georgia, Lithuania
- Pervasiveness: ECA
- Sampling: India, ECA
- Limited vs. reasonable assurance: Brazil
- Need for application material: Slovakia, Tunisia
- Opinion – positive vs negative report: Denmark, Namibia, Romania, Norway
- How to set up a monitoring system: Tunisia
- Unlawful acts/fraud/corruption: Mexico
- Prescription vs. liability: Romania

The committee members were kindly asked to submit their written input by **the end of January 2012**.

Agenda item VIII CAS Terms of reference

Due to the fact that the number of CAS members is increasing and that the old CAS terms of reference (TOR) were outdated, the chair suggested a new set of TORs for CAS. The TOR was unanimously adopted by the committee.

Agenda item IX CAS work plan 2011 – 2012



The CAS project team in the harmonization project consists of Norway, Slovakia and the European Court of Auditors. The entire committee acts as "back office function".

The CAS strategy project team of awareness raising in the PSC project consists of Norway. The CAS subgroup consists of the chair, Namibia, India and Romania. The first task of the CAS subgroup will be to develop official CAS presentation material for awareness raising. Further, all committee members partake in awareness raising activities in their regions.

On the maintenance issues, all committee members are to share practical experience in connection with a methodological reflection on their chosen topic by January 2012, and these might be shared on the CAS webpage in the future.

The CAS subgroup on court of accounts issues is enlarged to consist of Tunisia, Brazil, the European Court of Auditors and Romania. The group is responsible for reworking the ISSAI 4300 draft into a more generic document where local practices are deleted and existing terminology in the standards are incorporated.

The need for regional participation was concretely addressed in relationship to the EUROSAI strategic plan, where goal nr. 2 relates to professional standards. It was decided that the SAI of Slovakia represents CAS in this regional process, with the support of Romania and Denmark.

Agenda item X Venue for the next meeting

Ms. Aurelija Brukštutė from the SAI of Lithuania is welcoming CAS to the next meeting in Vilnius from the 12th-13th of September 2012.

Agenda item XI Any other business

None.



Closing of the meeting

Mr. Jens Gunvaldsen thanked all the participants for contributing. This resulted in the committee being able to rapidly discuss difficult questions and to reach its goals of becoming a hard working, coordinated group. He also thanked the Georgian hosts for their hosting skills and expressed eager to continue the discussions next year in Vilnius.