

## Working Group Meeting Oslo 30-31 March 2005

### — Minutes —

#### Summary

The first meeting in the INTOSAI ASC Working Group on Compliance Audit was held in Oslo, Norway, at the Bristol Hotell on the 30<sup>th</sup> and 31<sup>st</sup> of March 2005. After an introductory sequence the Working Group (WG) reviewed a working draft of an Issues Paper that the secretariat had prepared and distributed in advance of the meeting. The group discovered many areas for revision, and came with many constructive comments that will be incorporated in a new revision of the Issues Paper. Follow-up assignments were distributed. The WG also reviewed a first draft Work Plan that will be revised according to the follow-up assignments and other comments.

#### Meeting Introduction

Norway's Auditor General Mr Bjarne Mørk-Eidem and Director General Mr Jens Gunvaldsen welcomed working group members from eight countries: Denmark, India, Namibia, Norway, Slovakia, Saudi Arabia, Sweden and Ukraine. Members from Argentina and Tunisia were unable to attend this first working group meeting. Members each presented themselves.

Mr. Gunvaldsen provided a short résumé of the background for work on developing INTOSAI Compliance Audit Guidelines. INTOSAI's Auditing Standards Committee (ASC) has completed work on guidelines for performance audit. ASC is proceeding with guidelines for financial audit in cooperation with the International Federation of Accountants (IFAC) with a basis in IFAC International Standards on Auditing (ISA). ASC has identified a need for guidelines on compliance audit, an important and integral part of public sector auditing. Mr. Gunvaldsen emphasized the need for a comprehensive inclusive survey of compliance audit practices in order to develop a useful set of guidelines for INTOSAI members and other users of ISAs.

#### Compliance Audit in the WG member countries

The Terms of Reference for the WG define objectives for the group: to provide an overview of the different mandates of SAIs with respect to compliance audit; to elaborate on and more clearly define the term "compliance audit"; to provide practical guidance on performing compliance audit. The attending members of the WG made short presentations of their respective mandates on compliance auditing with a view to understanding some of the similarities and differences in how SAIs interpret and practice compliance auditing, and to develop a vocabulary for productive discussions in the WG. Based on the short presentations by the WG members, all SAIs perform compliance audit in some form although the scope and approach may vary.

## Issues Paper

The Working Group discussed the first draft Issues Paper and made comments especially on the following issues.

### *Introduction*

The introduction part of the draft Issues Paper, which reproduces the main parts of the Terms of Reference, should be considered extended by the Working Group's understanding of the Terms of Reference. The formulation "in order to provide the public sector auditor with a complete set of guidelines for financial audits" should be considered altered in the light of a clarification of the substance of compliance audit. The WG should consider whether compliance audit should be defined as a separate audit type, which could fit into both financial audits and performance audits. The guidelines for compliance audit should accordingly not belong to a complete set of guidelines for financial audits, but rather a complete set of INTOSAI auditing standards and guidelines, or alternatively, within a more narrow approach, a complete set of guidelines for financial-compliance audit.

### *Definition and purpose of compliance audit*

The WG should consider a further clarification of the differences between ISA 250 and the purpose of INTOSAI Compliance Audit Guidelines. It should be emphasized that compliance audit is a central part of the mandate for most SAIs. The perspective on compliance audit in a SAI context should be considered explored from different angles, e.g. emphasizing for whom compliance audit is performed, what is the objectives, and who are the stakeholders. The scope of compliance audit should thus be more flexible than by just starting from financial transactions and other activities that are reflected in the accounts or financial statements.

The order of the elements in the tentative definition should be considered altered, e.g. by starting with what is part of compliance audit in all countries (norms and standards, or probity and propriety), expand according to the status of the various audit criteria, and end up with compliance to budgetary laws, decisions and premises, which need to be qualified in relation to the varying conditions in the various countries, both according to the structure of the public sector, various levels of government, government administration, public agencies, etc.

The WG should also consider whether the role and mandate of some SAIs to perform work in anticipation of the budget enactment, should be included in the concept of compliance audit.

### *Audit of internal control*

The WG should consider a more flexible formulation than "audit of internal control primarily as a means" that is used in the first draft Issues Paper.

### *Reporting*

The guidance on reporting should be sufficiently flexible to be applicable to all types of SAIs, and should be elaborated on both regarding to whom the various types of SAIs are required to

report, and regarding the form and content of the reporting. A compliance paragraph may e.g. be inserted into a financial audit opinion, or there may be a separate opinion, certification or special report on compliance issues. The question was raised whether the WG should consider anticipating requirements on SAIs to give certification that all transactions have been carried out legally, etc.

#### *Language and terminology*

The WG should be aware of translation problems when considering the terminology to be used in the guidelines. The English terms of “shall” and “should” can be understood in a variety of ways in other languages. The WG suppose that the term “shall” is normally not used in the guidelines, since guidelines are not mandatory.

The WG identified a need for a glossary or list of definitions that explains the terminology of compliance audit. This is evident both in discussion of compliance issues and in translation into the various national languages.

#### Work Plan and distribution of assignments

The Working Group reviewed the first draft Work Plan and made the following distribution of assignments:

- Denmark and Slovakia will assist Norway in the further development of the Issues Paper.
- Denmark will also contribute to the reviewing of relevant material on compliance audit from SAIs and other institutions.
- India, Saudi Arabia, Namibia and Denmark will work on the overview of SAI mandates for compliance audit.
- Ukraine, Saudi Arabia and Sweden will prepare a list of relevant terms/definitions related to compliance audit, with May 2006 as time frame.

The various assignments will be incorporated into a revised version of the Work Plan.

Working Group Meeting Participants  
Oslo, Norway  
30-31 March 2005

Representatives

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Rolf Elm-Larsen	Director (Denmark)
Lene Boisen	Head of Section (Denmark)
Rajasekhar Rayalu	Director General (India)
Dirk Jacobus Kotze	Director Audit Services (Namibia)
Jens Gunvaldsen	Director General (Norway)
Leif Egil Berland	Senior Advisor (Norway)
John Valleik Green	Senior Advisor (Norway)
Maria Kysucka	Director of European Funds Audit Department (Slovakia)
Ibrahim Ali Al Bagdahdi	Director General for Companies & Corporation Audits (Saudi Arabia)
Maria Örtengren	Deputy Director (Sweden)
Taras Prytula	Head of the International Relation Division (Ukraine)
Absent	(Argentina and Tunisia)

Observers

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Per Engeseth	Director General (Norway)
Erna Lea	Deputy Director General (Norway)
Helge Strand Østtveiten	Deputy Director General (Norway)
Rolf Nordevall	Senior Advisor (Norway)

Support

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Åse Gregersen  
Grethe Jørgensen  
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