

INTOSAI



Compliance Audit
Subcommittee

COMPLIANCE AUDIT SUBCOMMITTEE Meeting in Vilnius, Lithuania 19 - 20 September 2012 Minutes

Day 1 - Wednesday 19th of September

Agenda item I Introduction by the Chair

The 10th meeting of the INTOSAI Compliance Audit Subcommittee (CAS) was held in Vilnius, Lithuania and hosted by the National Audit Office of Lithuania.

The meeting was opened by Ms. Deputy Auditor General of the National Audit Office of Lithuania, Nijolė Mickuvienė. The Deputy Auditor General wished all CAS members welcome, and expressed her wish for a prosperous and good meeting.

The Chair of CAS, Mr. Jens Gunvaldsen, expressed the Sub-Committee's gratitude to the National Audit Office of Lithuania, and complimented their hospitality and professional preparations for the meeting.

Mr. Gunvaldsen drew the attention to the loss of our fellow CAS member from Namibia, Mr. Dirk Kotze. The committee expressed their respect for the loss of Mr. Kotze with one minute of silence.

The Chair welcomed the new member of CAS, Portugal and greeted the CAS members attending; Brazil, China, the European Court of Auditors (ECA), Georgia, India, Lithuania, Namibia, Romania, Slovakia, Tunisia, as well as observers from Poland and the IDI.

Mr. Gunvaldsen commented on the large attention and interest many have shown for Compliance Audit the latest year. He noted that there is a growing interest and acknowledgement of the importance of the public sector worldwide, which is very positive.

In drawing attention to the agenda, the Chair introduced the first day of the meeting as a summing up current CAS activities and drew attention to the excellent results of the committee. Mr. Gunvaldsen introduced the two first items of the meeting: the harmonization project on level 3 ISSAIs and ISSAI 4300 on the court model. The CAS harmonization team was asked to present the drafts ISSAI 100 "Fundamental Principles of Public Sector Auditing" and the committee's own draft ISSAI 400 "Fundamental Principles of Compliance Auditing". The ISSAI 100 draft has been published for exposure in INTOSAI and must be considered in each SAI. The ISSAI 400 draft still needed the approval of the CAS before the Harmonization project meeting in Mexico in October. As regards the ISSAI 4300 draft on the Court of the Accounts, the document is now a good working draft. The Chair

stated the importance of an ISSAI 4300 on the specific type of audits carried out by the Courts. He expressed a deep wish for the courts to decide to continue to further elaborate the draft into the level of the due process. At the end of the first day of the meeting there was also a summing up round with work of CAS in other arenas made by CAS members, which could form an input for the activities on the second day of the meeting, where the future strategy and activities of CAS would be decided upon.

Mr. Gunvaldsen summed up the *9th PSC Steering committee meeting* held in South Africa in May 2012, in particular in light of the summarized agenda which is also reflecting the priorities of the PSC Steering Committee. The Chair particularly drew attention to the discussions in the Steering Committee on how to further manage the enormous system of ISSAIs and the need to create a permanent secretariat on a long term basis in order to maintain the ISSAIs.

Agenda item II Harmonization project

ISSAI 100

Mr. Niels Erik Brokopp from the European Court of Auditors (ECA) gave a *presentation of the ISSAI 100 exposure draft*. Mr. Brokopp is a member of the CAS harmonization team, and has been representing the CAS in the development of ISSAI 100.

The overall objective of the harmonization project is to develop new ISSAIs on level 3 and develop the ISSAI framework into a more coherent set of standards. The existing level 3 standards will be withdrawn, and the new level 3 will consist of:

- ISSAI 100 Fundamental Principles of Public Sector Auditing
- ISSAI 200 Fundamental Principles of Financial Auditing
- ISSAI 300 Fundamental Principles of Performance Auditing
- ISSAI 400 Fundamental Principles of Compliance Auditing

Comments of the ISSAI 100 must be addressed from the respective SAIs. Members of the CAS are encouraged to bring their input of the ISSAI 100 back to their SAIs for the exposure round.

ISSAI 400

On behalf of the CAS harmonization team, consisting of Slovakia, ECA and Norway, Ms. Mona Paulsrud introduced to the ISSAI 400 draft. The Chair informed the committee members that after the presentation of the document there would be an opportunity for the members to make their final comments to the draft. In light of these comments, the ISSAI 400 draft would be finalized from CAS to the harmonization project of the PSC.

In the following roundtable the committee highlighted a number of issues:

Tunisia stated that the ISSAI 400 draft was good, but it should to a wider extent cover the Court model. References to level four could in light of a Court of Accounts' perspective be made and referred to as "level four standards".

Romania found that there was a need to incorporate the Court model in the ISSAI 400 and that there was a need to broaden the two perspectives on Compliance Audit in the document. The introduction



of the document was in need of becoming more fluent and logical. In the overall objective of Compliance Audit not only the execution of the budget, but also the management of public assets should be included. Romania pointed out that communication may also take place before the audit, and further that audit programs and prescription should be considered relevant in ISSAI 400. Romania also commented that the findings and all the three parties of an audit should pertain to the contents of a compliance audit report. Romania also found a need to make reference to the South Africa declaration on implementation.

Portugal found the document well written, but noted that other kinds of audit should be mentioned.

Tunisia stated that in regards of the work done in the level 3 this will have to reflect in the maintenance of the level 4 in regards of overall issues.

Brazil was very comfortable with the ISSAI 400, and had no further comments.

China stated that the ISSAI 400 is now well balanced with ISSAI 4100 and ISSAI 4200, and has no further comments.

Georgia had no further comments, as criteria and propriety are both well explained. In many cases the overall view in the ISSAI 400 was easier to grasp than in the level 4 series.

India congratulated with a well written document. Sampling as well as propriety should be explained further. The issue of fraud needed to be amplified; as many SAIs need a better guidance on fraud. The degree of detail in the observing evidence belongs in many parts rather in level 4 and not in level 3.

Lithuania commented that the ISSAI 400 is a necessity in explaining Compliance Audit at an overarching level also for the use of a the legislature, and the need for stating that the opinion on compliance is separate from the opinion on the financial statements.

Namibia found that the 400 gives the reader more possibility to follow the document than the 4000-series.

Several committee members commented that the structure of ISSAI 400 is somewhat different from the ISSAI 300 exposure draft. It would be appropriate if all ISSAIs at level 3 had the same structure. There are some paragraphs in the document regarding reference and authority that express the same content in different wording. These could be revised. The committee also proposed a number of editorial suggestions to the ISSAI 400 draft.

The Chair thanked the members for their professional and informative feedback. In summing up he stated that there should be a clearer description of the Court model and a broader approach to Compliance Audit than the two perspectives. The function of ISSAI 400 is to explain the standards on Compliance Audit to all SAIs. Hence there is a need to decide upon some generic concepts and principles. The translation of the ISSAIs should leave each SAIs free to make adaptations in their national language, so that the meaning of the ISSAIs is not lost. Subjects to be taken up to discussion in the ISSAI 400 drafting group are: communication, subject matter, sampling, fraud and overall objective. Propriety should be further elaborated.

Ms. Mona Paulsrud expressed gratitude for all input to the ISSAI 400 draft made both prior to and during the meeting. Ms. Paulsrud also suggested in light of comments made the need to give specific definitions regarding generic concepts in the ISSAIs on level 4 to avoid meaning lost in translation.

Mr. Niels Erik Brokopp from the CAS harmonization team commented that the issues raised on the execution of budget, sampling, subject matter and fraud are specifically useful and should be considered in the final stages of the development of the ISSAI 400.

All members of the CAS expressed support of the work of the CAS harmonization team and the main strategy, approach and contents of the ISSAI 400 draft.

Agenda item III ISSAI 4300 draft

Mr. Mourad Bengassouma of Tunisia, head of the CAS team on Courts of Accounts presented the work on ISSAI 4300 draft.

The Chair had raised two issues for discussion in the committee, with specific attention to the views of the members of CAS that runs by the court model: Tunisia, Romania, ECA, Portugal, Brazil and Mexico. The Chair addressed the Courts present in particular regarding the two issues raised; whether the ISSAI 4300 draft is at a sufficient generic level, and if the draft is at a stage to be delivered to the PSC SC as a project proposal or preliminary draft.

Roundtable:

Romania: The draft 4300 is sufficient generic, but needs to be more mature before it is sent to the PSC. Ms. Breden suggested that the document should be sent on a hearing with other Courts of Accounts to insure its generic and technical aspects.

Brazil: The draft as it is by today will be a helpful document for auditors in Brazil, but at this point it is not a stand-alone document. Some of the aspects could be moved to a level 3 document.

Portugal: The 4300 is generic enough, but needs to be improved with experiences. The examples recorded should be even more generic, as of now they do not sufficiently reflect Portugal as a Court.

The 4300 should also include pre audits, audits on acts, contract post audits and staff audit and not exclusively deal with financial audit. There could also be a more generic use of financial liability as this does not today reflect the practice in Portugal.

Details and suggestions on paragraphs will be sent in a written amendment to the 4300 group.

The members present agreed that the state of the draft needs further elaboration and suggested that it ought to be reviewed at a hearing with other Courts following the court model to ensure its generic quality.

The Chair invited members to send written amendments to the group, which will be assessed in a group discussion. All remarks made at the meeting should be taken into consideration.

Ms. Helena Ferreira da Cruz Fernandes, Portugal is now also an active member of the ISSAI 4300 draft Court of Account team.

The ISSAI 4300 drafting team will have to meet on a regular basis to work on the draft towards the INCOSAI 2016. The work process includes the content, structure and technical output and will be supervised by the CAS secretariat. The CAS is to be informed of the progress in regular interim reports. The details of further progress of the 4300 draft will be discussed at a meeting with the Chair and CAS secretariat. Meanwhile the Chair will contact the PSC and request for their support and inquire the further process for 4300 towards the INCOSAI 2016.

The Chair congratulated the 4300 team with well accomplished work and is looking forward to seeing the 4300 draft on the Court of Accounts develop into a standard.

Agenda item IV Summing up CAS activities 2011–2012

Ms. Maria Kysucka, Slovakia, and Ms. Cristina Breden, Romania, gave a presentation of their activities acting on behalf of CAS as the EUROSAI Professional Standards - Goal Team 2.

Ms. Vani Sriram, India, gave a short summary of her participation in a common CAS/FAS course in Indonesia. Ms. Sriram's reflections from the meeting in Indonesia are that in many countries there is a lack of resources and time to perform compliance audit. There is also the subject of fraud that perhaps should be addressed more strongly in the 4000-series.

The Chair thanked Ms. Maria Kysucka, Ms. Cristina Breden and Ms. Vani Sriram for their involvement in representing CAS. Such representation and guidance can change the course of a SAI.

Ms. Paulsrud informed of the CAS distribution channels throughout of the year with newsletters and the CAS web site. She further introduced an activity calendar for members that will be posted on the web site.

The Chair closed the meeting of day one appreciating the commitment and participation of all committee members.

Day 2 - Thursday 20th of September

Agenda item V Implementation and maintenance

The Chair introduced the importance of the work already done in the committee based on the maintenance papers and the connection to this work and the IDIs 3i program.

At last year's meeting in Batumi, Georgia all CAS members agreed to deliver a paper on maintenance of various topics regarding their respective SAIs, and the Chair complimented on their effort. The papers are important for future planning and work of the committee, and were appreciated by the Chair in a common committee roundtable exercise.

The Chair congratulated the valuable work done by the members, and stated that the work done is a very good start.

Mr. Gunvaldsen further proposed that the papers on maintenance will be posted on the CAS website in early December if there is no objection from the members within two weeks after the meeting.

Mr. MD Shofiquil Islam gave an introduction of the 3i program of the IDI on implementation of the ISSAIs in developing countries and the need of expertise from CAS in the running of the program.

After the presentation by the IDI the Chair invited all members to reflect on how each and every CAS member and member SAI can contribute to the implementation of the ISSAIs.

The further development of CAS should involve that all CAS members have ambitions of regarding themselves as experts and work in tight coalition with the CAS secretariat. As of now there is also an ongoing process of strengthening the capacity of the secretariat. The goal for CAS must be to communicate as one single CAS voice in all forums.

Agenda item VII CAS strategy and work plan

Ms. Mona Paulsrud, Head of the CAS Secretariat gave a presentation of the suggested CAS strategy and work plan.

The Chair had raised a proposal to close down the CAS subgroup on awareness raising and prioritize implementation in the upcoming year, specifically in light of the IDI program. The implementation process require CAS to develop into a community of expertise, and this expertise should also be directed towards the further maintenance of the ISSAI 4000 series, which will be the focus of the next year's CAS meeting. The strategic aim of CAS is to present the ISSAI 400 at INCOSAI 2013 and an updated version of the ISSAI 4000 series at INCOSAI 2016.

Ms. Paulsrud asked the committee members for their comments regarding the three proposals raised, and asked also on feedback regarding their thoughts of how to work in collaboration with CAS and the secretariat.

India raised the question for the continued need of awareness raising in many SAIs. This is a responsibility of the PSC, and if there is a sufficient need for more awareness raising IDI has to inform the PSC. Mr. Gunvaldsen will also report on this to the PSC, but in light of all activities the CAS is lacking resources and may have to use them more strategically.

IDI ensured that in the 3i program there is firstly a management workshop that focuses on the strategy; implementation will be taken into consideration only when the SAI is ready.

Namibia brought up the question of the involvement of regional committees, like AFROSAI-E, which are used to assist in implementation of ISSAIs. The Chair found this to be very informative and also suggested the cooperation with the other subcommittees in PSC, like FAS and PAS.

Mr. Shofiquil Islam informed on the ISSAI facilitators in different regions and that the facilitators are able in the program to invite experts.

Mr. Gunvaldsen reflected that there are many difficult questions in connection with the 3i program. Tunisia mentioned the challenges regarding the implementation of the 4000-series and additional requirements as well as the need for communication with FAS regarding ISSAI 4200. The Chair suggested that the way to approach this is to rethink the strategy and use of CAS resources, see the strategic dilemmas and address and solve them within the committee.

Romania reported that they wish to join both the implementation process and the 4300 team. Ms. Breden suggested that she will propose for the next EUROSAI Professional Standards - Goal Team 2 meeting that the 3i program will be put on the agenda.

ECA commented that the first goal in the process is that CAS as a committee should have the same understanding of the word "compliance". The three subcommittees FAS, PAS and CAS, as well as the PSC must have a similar approach to the 3i and hence needs to cooperate. There is also the need for further work on ISSAI 400 in cooperation with ISSAI 200, so that the conditions for the maintenance of 4200 becomes clear and in accordance with financial audit standards.

The committee agreed on the proposed CAS strategy and work plan.

The Chair congratulated Ms. Paulsrud for the comprehensible presentation. There is a need for good communication both with the committee, other subcommittees, especially FAS, and also with the PSC. The growing need becomes more evident in light of the 3i program to both develop the function within the secretariat and also develop the CAS group as a whole, and has to be solved. In doing so, the committee will develop into a strong, sustainable entity.

Membership in CAS.

Due to the new CAS terms of references agreed upon on the CAS 9th meeting in Batumi, Georgia, the Accounting Chamber of Ukraine is after a written correspondence from the Chair of CAS to the Chairman of the Accounting Chamber of Ukraine no longer considered a member of the committee.

The committee confirmed this decision, and stated that the decision will be informed in writing by the Chair to the Chairman of the Accounting Chamber of Ukraine.

Venue next meeting

Venue of the 11th CAS meeting in 2013 has not yet been decided. The Chair will approach suitable hosts during 2012.

China indicated that due to their hosting of INCOSAI in 2013 they will in this respect have to resign from hosting the CAS meeting in 2013, but they will be honored to be considered hosts for the 12th CAS meeting in 2014.

Closing of the meeting

The Deputy Auditor General of the National Audit Office of Lithuania congratulated all CAS members with the work done over the last days and expressed her hope that the content of the meeting will be shared with their respective SAIs. The work done regarding standards is a most important aid for all SAIs. She expressed her wish that the arrangements around the meeting have also made members able to get to know Vilnius and Lithuania.

The Chair of CAS, Mr. Jens Gunvaldsen, thanked the hosts of the meeting. He commented on the importance of identification of problems shared and of the work and common solutions across borders. CAS' goal for this meeting was achieved through hard work, in tight time frames and through the fact that the Lithuanian hosts have provided the means for making this possible.