

Compliance Audit Subcommittee

Meeting in Oslo 4th -5th of October 2010

MINUTES

1. Opening of the meeting

The eight meeting of the INTOSAI Compliance Audit Subcommittee (CAS) was held in Oslo, Norway on the 4th -5th of October 2010. Auditor General of Norway, Mr Jørgen Kosmo, opened the meeting and welcomed the CAS members to Norway. Mr. Kosmo emphasized the historical momentum of the INCOSAI congress of 2010 in South Africa, as a complete set of standards for financial, compliance and performance auditing are to be endorsed. Mr Kosmo underlined the specific importance of compliance auditing, both for the parliaments and as a tool for fighting poverty. Finally, Mr Kosmo, draw the attention to the challenges the committee faces in the process of implementing the standards.

Mr. Jens Gunvaldsen, Chair of CAS, welcomed subcommittee members from Brazil, Denmark, the European Court of Auditors, Namibia, Slovakia, South Africa, Sweden, Tunisia, Saudi Arabia, India and Georgia. Mr. Gunvaldsen especially welcomed Georgia as a new member of the committee and Mrs. Vani Sriram as the new representative from the Indian SAI. The chair also expressed gratitude that China had decided to participate in the meeting as an observer. Mr. Gunvaldsen stated that the aim of the meeting was to reach a common working platform for CAS after the endorsement of the ISSAI 4000 series on how to raise awareness and establish mechanisms for the maintenance of the guidelines. The meeting would also address the specific needs of the Courts, and Mr Gunvaldsen specifically thanked the Tunisian SAI for their efforts in this matter.

2. Approval of the agenda

There were no comments to the agenda.

3. Looking back and forward - introduction by the Chair

Mr. Jens Gunvaldsen and Mrs Erna Lea gave the committee an overview of the work of CAS and the background for establishing a separate ISSAI 4000 series on Compliance Audit. The Compliance Audit Guidelines cover the extended perspective in public financial auditing and address the specific elements of compliance with authorities in relation to the various SAI mandates around the world. The guidelines are integrated with both the ISSAI 1000 and 3000 series and describe the steps of the audit process within a framework of assurance.

When the ISSAI 4000 series is adopted at INCOSAI in November, the future work of CAS will focus on the following issues:

- Awareness raising and implementation

- Update of level 3: harmonisation project
- Maintenance
- Court of Accounts issues
- Organisation and funding of future activities

The committee then shared views on the challenges and work to come. There was a general support for the idea of a strategy for PSC as a whole and for a more consistent terminology in the ISSAI framework. The need for awareness raising and ideas on how to perform the awareness raising was also addressed by many.

4. Information on translations – the final products

Mrs. Mona Paulsrud informed the committee that the ISSAI 4000 series now is translated into all official INTOSAI languages. The translations were approved by e-mail. The chair expressed gratitude for the important work done by the Tunisian SAI in quality assurance of the Arabic translation. All translations of the ISSAI 4000 series are now available at the webpage: www.issai.org.

The committee had no further comments to the translations.

5. Update and discussion on revising ISSAI 100-400 – the Harmonization project on level 3 – mandate, organising and process

Mrs. Mona Paulsrud gave the committee an introduction to the work of the harmonization project, which is a project approved by the PSC steering committee in May, and will be presented to INCOSAI in November. The project period is proposed to 2011-2013. The project is chaired by PSC and consist of at least two members from CAS, FAS and PAS.

The purpose of this project is to provide a conceptual basis for public sector auditing and ensure consistency in the ISSAI framework. The project will primarily focus on the revision of the fundamental auditing principles on level 3, but might also lead to editorial changes on level 2 and 4. There will also be a consideration of the ISSAI 5000 series in relation to the ISSAI terminology.

See more information about the project on:

<http://psc.rigsrevisionen.dk/composite-280.htm>

Mrs. Mona Paulsrud also presented the following issues as of specific interest of CAS in the harmonisation project:

- Introducing the concept of Compliance Audit on level 3
- The purpose of the broader perspective of public financial auditing
- The relationship between Compliance Audit and Financial Audit
- The relationship between Compliance Audit and Performance Audit

The chair, Slovakia and ECA will be representing CAS in the harmonisation project.

There was a general agreement in the committee on the importance of the project and on the priorities of CAS. It is also important for CAS to establish a "backoffice" function in the committee to support the members who participate actively in the project.

6. Maintenance of the Compliance Audit Guidelines - issues, monitoring and process

Mrs. Erna Lea introduced to the committee the idea of making use of the implementation process of the ISSAIs to get feedback from the use of the 4000 series in SAIs. Areas of specific interest are:

- Issues related to limited vs reasonable assurance
- Negative assurance
- Materiality
- The need for application materials etc
- The use of sampling
- Execution of the budget and state accounts

There is a need to follow the work of other standard setters and establish an appropriate maintenance frequency for the guidelines in cooperation with PSC, the PAS and FAS chair. A sub team within CAS will be established to perform this task. Sweden and India will participate in the team.

There was a general agreement in the committee on this point.

ISAE 3000

Mr. Jens Gunvaldsen gave an introduction to the work of the IAASB on the ISAE 3000 series concerning International standards of assurance engagements, which are other engagements than the audit of financial statements, like compliance. The ISAE 3000 series give reasonable assurance in evaluating these types of assurance engagements. They have now been restructured in light of the clarity project and a lot of material have been transferred to application material. The ISAE 3000 are a bit inspired by the ISSAI 4000 series in the sense that they end up in an opinion form similar to the Compliance Audit Opinion. In some areas, like quality control, they go further than the ISSAI 4000 series. But the ISAE 3000 series lack the compliance perspectives on the execution of the budget, authorities and conduct of public servants, even though in technical terms the standard series have many similarities.

7. Court of account issues - a need for ISSAI 4300

Mr. Mourad Bengassouma of the Tunisian SAI gave an introduction on the specific needs for the SAIs organised as Courts of Accounts. According to Mr. Bengassouma is specifically in Compliance Audit that the courts differ from other SAIs. He then draw the attention to key

issues related to compliance audit in Courts of Accounts and proposed a metodological approach and a work plan.

Mr. Bengassouma suggested the establishment of a group to work on a draft for a possible ISSAI 4300 for the Court of Accounts system. This is a complicated task, but the committee acknowledged the specific needs of the courts and agreed to establish a working group consisting of Tunisia, ECA and Brasil. The group will be presenting the draft to a possible ISSAI 4300 to the CAS meeting in 2011.

The question was also adressed weather specific needs of the courts should be taken into the harmonisation project.

8. Update and discussion on Implementation/awareness raising - setting up a Strategy project team and experiences from implementation/awareness raising in our own SAIs

Mrs Erna Lea gave an introduction to the importance of awarness raising and the work on awareness raising by the PSC. The strategic goal of the PSC is that SAIs around the world should perceive the ISSAIs as their primary source of guidance to public sector auditing, and the audit community per se should have a clear perception of INTOSAI's approach to public sector auditing. The PSC is aiming to ensure that SAIs and relevant external partners are familiar with the ISSAI Framework and the benefits associated with the application of auditing standards that have been developed specifically for public sector auditing.

Therefore the PSC has established an Awareness-Raising Project Team with representatives from CAS, PAS, FAS, the IDI, the Capacity Building Committee and the PSC Secretariat to convert the strategy into detailed action plans. The project will work with cooperation, coordination, communication and knowledge sharing. The CAS chair and South Africa will be representing CAS in this team.

More information about the awareness raising project of the PSC is to be found on:

<http://psc.rigsrevisionen.dk/composite-284.htm>

Mr Einar Gørrissen presented perspectives on awareness raising from the point of view of the IDI. Mr. Gørrissen focused on the value and challenges posed by the ISSAI Framework and on steps in implementing the ISSAIs. Awareness raising is only a first step in a process of sustainably integrating ISSAIs in the SAI's work processes & legal framework, thereby enabling them to deliver their mandates more effectively. Building SAI capacity and implementing standards are two sides of the same coin, and Mr Gørrissen focused specifically on the challenges in capaicity building in developing countries. He also referred to the global stocktaking on SAIs conducted by the INTOSAI donor cooperation, where 174 SAIs have confirmed that they have a legal mandate to conduct both financial and compliance audit. This amounts to approximately 97 % of the respondents. The stoctaking also shows that 86 SAIs indicate a need for support in compliance auditing. This shows the challenges CAS and the IDI need to work on in the future. CAS and the IDI have a common

interest in assisting SAIs in producing results, but this is a process that will take considerable time.

Mr. Jens Gunvaldsen thanked Mr Gørrisen for his important contribution and for the challenge not only to raise awareness, but to define milestones, which is ambitious but important in an efficient strategy.

Each SAI of the committee then contributed with their ideas on how to raise awareness on the ISSAI 4000 series, both in their own SAI and in their region:

India:

The Indian SAI have their own manuals and standards on compliance audit and conduct a lot of international training programmes where SAIs from different regions participate. There has never been a training programme on compliance audit, but India could take an initiative on including compliance aspects more clearly in the training programme.

Namibia:

The Namibian SAI is in the starting process of convincing the auditor general that there are three types of audit and see how compliance audit can be built into the office. On the regional level Namibia will depend on the AFROSAI-E secretariat and support from the SAI of South Africa.

Slovakia:

The Slovakian SAI have prepared and implemented a compliance audit manual and established key persons inside the office. The SAI of Slovakia makes presentations for the ministry of finance and at national conferences. There has been challenges, as on how to give reasonable assurance. The SAI of Slovakia has shared experiences with other countries, like Croatia and Romania, and is prepared to be a resource for compliance audit in their region.

Georgia:

The Chamber of Control of Georgia is working along a new strategy, where compliance audit needs to be developed as an audit type. Compliance audit exists as a practice based on the individual knowledge of the auditor, but there is a need to develop a compliance audit manual to fit the existing practice and thereby translate, disseminate and name what is done.

Sweden:

The Swedish SAI has high focus on financial auditing and compliance audit don't get much attention by the auditor general. But the Swedish SAI has decided to change the audit report by 2011 to comply with all ISSAIs.

Saudi Arabia:

The SAI of Saudi Arabia has established a committee to develop standards and has had auditing standards since 1984. The Saudi Arabian SAI has guidelines on performance and financial auditing. There is no opinion on compliance, but a report with recommendations. The SAI of Saudi Arabia has participated in a seminar in Kuwait on awareness raising of the ISSAIs.

Tunisia:

The SAI of Tunisia is preparing a compliance audit manual that take into account the specificities of the court. A lot of African SAIs come to Tunisia for training, and the Tunisian SAI provides assistance to other SAIs.

Denmark:

Compliance audit is given more attention in Denmark than in Sweden, and compliance is included in both financial and performance audits. Regarding implementation of the new ISSAI's the SAI of Denmark have chosen to conduct a gap analysis where our existing guidelines are compared to the new ISSAI's. This will be performed in the coming year.

ECA:

ECA is in a specific situation. Since 1995 ECA has given an opinion on the financial statements based on accrual accounting and an adverse opinion on compliance based on statistics covering the underlying transactions that cause problems. The opinion is also based on national declarations on the use of EU funds

A GAP-analysis has been performed, and ISSAIs have been transferred into manuals and tool boxes. The same that ECA has done is what INTOSAI has to do on a global basis. Many of the problems are similar, but not necessarily the solutions.

South Africa:

South Africa has in its mandate to report on the financial statements, compliance and the achievements of performance indicators. In compliance auditing factual findings are reported, and there is no risk assessment or risk response. So there is a need to develop the reporting frameworks. South Africa is willing to cooperate closer with the AFROSAI-E secretariat and so becoming a motor in promoting compliance auditing in Africa.

Brasil:

The Brazilian Court of Audit spends about 30 per cent of its resources related to audit, and of these 30 per cent the majority is compliance audit. The Brazilian SAI has now established a working group to rewrite the standards. But the standards are not yet incorporated nor translated into Portuguese. In the OLACEFS region Brasil can be a link between INTOSAI and the rest of the region and help with the implementation process in Latin America.

Norway:

Norway has a long history of performing compliance audit. A kind of audit opinion is given on entity level, but there is no audit opinion on ministerial level. Both financial and compliance audit is reported to the parliament, some in short form and some in long form. A GAP analysis has been conducted in relation to present methodology and a discussion paper on the future of compliance audit is produced.

Mr. Gunvaldsen, chair of CAS, thanked the SAIs of the committee for their willingness to contribute in the awareness raising and implementation of the compliance audit guidelines. He also underlined the importance of the participation and commitment of each of the SAI committee members in this work.

9. Reporting from the last meeting of PAS

Brasil, as chair of the Performance Audit Subcommittee (PAS), gave a short briefing from the PAS meeting in Brasilia one week earlier:

PAS has started working on the harmonisation project, and papers are circulating among PAS members. PAS will be represented in the project by Brasil, Austria and Sweden. In the PSC Awareness-Raising Project Team PAS will be represented by Brasil.

PAS further needs to update the references of the 3000 series and is preparing a forum on performance auditing. Together with Norway, Brasil has conducted a survey, that shows that 2/3 of the SAIs in the world conduct performance auditing. PAS will also collect examples of good practice reports and conduct seminars presenting examples.

10. Work plan for CAS 2011-2013 – milestones

A final work plan with milestones and products will be produced after the first meetings in the Strategy project team in January and the Harmonisation project in March.

From the discussions and presentations of the meeting, Mrs Erna Lea introduced to the committee the chair's suggested work plan for CAS in the coming period 2011-2013 with priority given to the following activities:

Harmonisation project

- With the participation of the chair, Slovakia and ECA

Implementation/awareness raising

- Participation of the Strategy Project team; chair and South Africa
- All members of the committee: Working in their SAIs and regions to collect practices and share training material.
- The Subsub-group of chair, South Africa and Namibia work on:
 - CAS focus
 - Produce best practice?
 - Communication kit?
 - Translations on the web site
 - Special issues to raise in seminars etc
 - Implementation plan with milestones
 - How to make use of IDI survey

Maintenance

- Materiality/pervasiveness (Sweden)

- Sampling (India)
- Reasonable vs. limited assurance
- "Opinion" – positive vs. negative report
- Monitoring system/frequency

ISSAI 4300 Court of accounts

With the participation of Tunisia, ECA and Brasil.

11. Updating the CAS web site

Mrs. Mona Paulsrud and Mrs Frederikke Lillehaug informed the committee that the CAS web site is in need of updating and presented ideas on how to develop the web site into an efficient communication tool for the committee.

The committee reflected on the importance of the web site and had further ideas on the contents, like: FAQs, helpdesk, workspace for the different working groups of the committee, sucomitte meeting online, presentations of the different committee members and their SAIs etc.

12. Promoting ISSAI 4000-series at the XX INCOSAI - information

CAS is producing an information leaflet on the ISSAI 4000 series to be used in promoting the Compliance Audit Guidelines at INCOSAI. A draft to the leaflet was presented to the committee.

13. Future CAS meetings

The chair informed the committee that a CAS meeting is to be held once a year. Those committee members who have not yet hosted a meeting were encouraged to consider the possibility of hosting the next CAS meeting in 2011.

14. Any other business

None.

15. Closing of the meeting

Mr. Jens Gunvaldsen thanked the participants for a good and constructive meeting. The committee is facing difficult issues with no fixed answers and have come further in this work and a lot of inspiration and ideas. During the coming year this will be transformed into concrete activity