

# INTOSAI



Compliance Audit  
Subcommittee

## **COMPLIANCE AUDIT SUBCOMMITTEE Meeting in Oslo, Norway 17–18 September 2014**

### **Minutes**

#### **Wednesday 17<sup>th</sup> and Thursday 18<sup>th</sup> of September**

##### **Agenda item I Introduction by the Chair**

The 12th meeting of the INTOSAI Compliance Audit Subcommittee (CAS) was held in Oslo, Norway and hosted by the Office of the Auditor General of Norway (OAGN).

The meeting was officially opened by Mr. Jens Gunvaldsen, the Chair of CAS.

The Chair asked all committee members to present themselves and greeted the CAS members attending; Brazil, China, the European Court of Auditors (ECA), France, Georgia, Hungary, India, Lithuania, Mexico, Namibia, Portugal, Romania, South Africa, . . . Present at the meeting was also observers from FAS and IDI.

The Chair underlined the importance of the broad composition of the committee, the fact that there are members from different countries and environments brings fruitful discussions to the CAS meetings. The Chair also underlined that Issai.org is much visited, meaning that people are eager to understand what public sector auditing is. The Chair is looking forward to two fruitful days, using the same concepts and a common language in an ongoing process to develop the ISSAI 4000, and that the goal of the meeting is agreeing on an updated ISSAI 4000. The meeting will be focused on the work to improve the new ISSAI 4000 further. The fundamental parts of the standard are already decided and will not be altered, but there are still some changes and improvements that can be done. Subjects that has already been up to discussion and decided on will remain unaltered.

The Chair went through the history of CAS. See presentation: *CAS history and strategy 2013–2016*.

## **Agenda item II Summing up the PSC steering committee meeting in Bahrain and other important information from INTOSAI/PSC/FAS/PAS**

### **INTOSAI/PSC**

Mr. Jens Gunvaldsen summed up the 11<sup>th</sup> Steering committee meeting of the Professional Standards Committee (PSC), held in Bahrain in May 2014. The meeting confirmed and strengthened the importance of public sector auditing. The importance of describing the audit process in public sector and giving common concepts in public sector auditing was addressed and discussed in the meeting.

The cooperation between the three subcommittees (FAS, CAS, PAS) was discussed during the meeting in Bahrain. There is a need for closer cooperation with all subcommittees, and the subcommittees presented a common work plan.

There was a presentation of the main plans for development of the maintenance and implementation process. There was also discussions and meetings concerning implementation issues with IDI.

There was also an extensive discussion of the future of the standard setting in INTOSAI. PSC presented an evaluation report which sums up the lesson learned so far, and presents different models for organizing the INTOSAI standard setting activities in the future.

### **FAS update**

At the FAS meeting in Abu Dhabi, 2013 there was a discussion regarding the consequences of level 3 to level 4. Hence it was decided that FAS will still produce practice notes on a short term basis. In a long term perspective there will be further discussions internally in FAS regarding the durability of the practice notes. There will also be future discussions on ISSAI 1000 and ISSAI 1003, and as a result probably maintenance of ISSAI 1000. FAS wishes to develop a glossary for all audit types in the future as a development of the glossary in ISSAI 1003. There has also been a discussion regarding the importance of working together to be coordinated with all subcommittees, as well as a need to educate SAIs in the understanding and importance of ISSAIs. SAIs must develop an understanding of the importance to comply with all the ISSAIs. To promote the ISSAIs to SAIs is the work of IDI.

### **PAS update**

PAS is maintaining level 4 ISSAI 3000-series. The maintenance work is an extensive project working with three documents at the same time and sorting out things in annex 3100 which should be moved to level 2. ISSAI 3000 is like a manual giving practical guidance. The new draft on how to implement the standard has already been completed. The first draft of the new ISSAI 3000 was discussed before the PSC meeting in Bahrain. The second draft of ISSAI 3000 is under hearing in PSC.

The PAS has set down 3 groups working with the development of the new ISSAI 3000 series:

ISSAI 3100 with new concepts, ISSAI 3100 with old concepts and ISSAI 3200 describing the performance audit process.

## Agenda item III Maintenance of ISSAI 4000 - the working process since the CAS meeting in 2013

### ISSAI 4000: the first Compliance Audit Standard of INTOSAI.

Ms. Mona Paulsrud gave an update, see presentation: *The work process behind the new ISSAI 4000.*

Ms. Maria Kysucka, Mr. Niels Eric Brokopp and Ms. Mona Paulsrud was representatives from the CAS in the ISSAI harmonization project to update ISSAI 400, presented in Brasilia 2013, endorsed in the INCOSAI 2013 in China. After working with ISSAI 400 it became clear that ISSAI 4000 had to be maintained. One common 4000-standard has to be applicable to all SAIs, decided in the CAS meeting in Brazil 2013. The result of the work since then is the new ISSAI 4000 for discussion at the CAS meeting in Norway 2014. The main questions to be asked at the present meeting are amongst other: "Which shall requirements should be common for everyone? What are the specific considerations for the courts?"

Since the CAS meeting in Brazil 2013, there has been three maintenance groups working with the document in addition to the court group (see presentation, *The work process behind the new ISSAI 4000*):

Group 1 - Technical issues: Has worked with technical issues and the structure of the new ISSAI 4000.

The new ISSAI 4000 contains no examples, but a glossary. This leads to further cooperation between the three subcommittees discussing a joint glossary process in the PSC.

Members of the group: Tunisia, South Africa, India, Portugal, Norway.

Group 2 - Assurance, opinion and conclusion: Has worked with stretching the elastic, and discussed the concept assurance, conclusion and opinion.

Members of the group: Romania, Namibia, ECA, China and Brazil.

Group 3 - *CAS propriety*: Has worked with the concept propriety in compliance audit, what does it mean and how to distinguish it from regularity. The group has also worked with the concepts: authorities and identifying the subject matter and criteria.

Members of the group: India, ECA, Lithuania, Slovakia, Hungary, China and Saudi-Arabia.

Mr. Jens Gunvaldsen was pleased by the work that has been done both by the groups and the secretariat. The work is difficult, but the procedures set by the PSC have been followed (due process). The new ISSAI 4000, presented at the 12<sup>th</sup> CAS meeting is the format of the standards which is going to be approved by the PSC. The Chair finds the new ISSAI 4000 to be a good document giving a basis for discussions, and the intention of the two days meeting is to go through the document chapter by chapter to improve the document further using the competence of the CAS members. The secretariat will make the suggested changes to the new ISSAI 4000, and send it to the committee members for comments.

Ms. Linda le Roux: It might be a need to put in additional standards, considering maybe risk assessment and a new ISSAI 4100 in the future. It is difficult to make one standard to fit into it all. It is a need for more examples and guidelines.

Mr. Jens Gunvaldsen: It is important to see issues that have to be developed further in the future, this also implies issues on an INTOSAI level.

Mr. Peter Welsh: Many SAIs has to make financial audit alongside with the compliance audit where the compliance side is not recognized well enough. Standards require a certain content and explanation, and set out further what it means. There are challenges in the new ISSAI 4000 version; it is a bit conceptual, but does not tell what you need to achieve. . It could be a solution to go down to scratch once more and also to work closer with FAS. There is also a necessity to look at regularity in public sector. The fundamental thing is to look up where these questions are raised in all the ISSAIs and develop it further on a common ground. Maybe in the future a new document can be developed cooperating with the other committees.

Mr. Jens Gunvaldsen: Technically we have some challenges, but we should be proud of what we have achieved by now. In the future there is a need for a technical secretariat to develop all standards, and to update and develop ISSAIs. There are discussions now on setting up structures to develop standards professionally. We see that if a standard setter is going to be trustworthy in the next 20 years, we have to be more professional.

## **Agenda item IV Review and finalization of the ISSAI 4000**

### **Issues coming out of the maintenance groups:**

Ms. Mona Paulsrud presented main issues (see presentation: *ISSAI 4000 Issues coming out of the maintenance groups*).

### **Review and finalization of the ISSAI 4000**

The goal of this meeting is to work together on three major issues:

1. Major areas of disagreement
2. Additional proposals (can also be sent to the secretariat in writing by the 30<sup>th</sup> October)
3. Wording and consistency (suggestion can also be sent to the secretariat in writing by the 31<sup>st</sup> October)

There are also issues to put in the "Parking lot"-issues that will be noted but not necessarily dealt with in this version of the ISSAI 4000.

Core of the discussion at the 12<sup>th</sup> CAS meeting is point number 1: *Major areas of disagreement*. Parking lot issues will also be noted timely.

Mr. François Kruger: The first reaction to the new ISSAI 4000 so far is the timing and process, because compliance is connected to the Court. The French Court des Comptes is constructed as follows:

1. Judgment with jurisdictional powers.
2. Make the scope, compliance issues without a judgment.
3. Different block with compliance.

Mr. Jens Gunvaldsen: We must see a common ground and clarify the issues for France. The new ISSAI 4000 sets up requirements. It is based to mirror every principle on level 3 to a requirement on level 4. We must follow basic structure and basic principles. The picture on page 5 in the new ISSAI 4000 draft document explains the phases in the audit

process. The standard has to be on a level where we can find a common ground to cover all compliance subject matters of all SAIs.

Ms. Åse Kristin Berglihn Hemsén (FAS observer): Attestation engagement was discussed in the FAS meeting, and the conclusion is that it is difficult to find requirements and reports on historic financial information. FAS is worried of not having the backing of the compliance standards from countries working close to financial audit.

Mr Peter Welch: The question raised by Ms. Åse Kristin Berglihn Hemsén can easily be done by cross references in the ISSAIs. The definitions of authorities and criteria are also in ISSAI 1003 (Glossary of Terms to the INTOSAI Financial Audit Guidelines). Authorities can be in two forms, either regularity or propriety.

The maintenance group working with the concept assurance has discussed the communication of assurance, and core of assurance within the public sector. There are two options: opinion and conclusion. See the explanation of the concept assurance in ISSAI 100.31.

Ms. Vani Sriram: The committee could factor in the challenges reported by the SAIs in the IDI survey while finalizing the new ISSAI 4000. This would facilitate implementation of the new standard by all the SAIs.

Ms. Ingvild Gulbrandsen: We have now worked with the handbook around the world, and found that there are difficulties regarding the understanding of the concepts. Hence to understand the meaning of the concepts, and how to use them.

Ms. Aurelija Brukštutė: The practices in SAIs are different from the guidelines. There is a need of guidance on how to do it and what it means. Hence a need for additional documents like guidelines and handbooks in the future. These documents should be applicable to all standards, and more elaborated. It is a good idea to have this in mind for the future.

Ms. Åse Kristin Berglihn Hemsén: The new ISSAI 4000 is on such a high level that it is difficult for an auditor to get the support through the different audit phases. A standard should give more support through the audit phases in the future.

Mr. Juan Javier Perez Saavedra: A standard has to cover all differences in countries. It should be other groups developing handbooks. There is a gap between realities and standards. The standards should be applicable to all SAIs. Hence the standard has to be on a high level.

Mr. Tornike Shermadini: I agree with Mr. Juan Javier Perez Saavedra. The new ISSAI 4000 should not be very detailed. With more requirements, there will be difficult to implement the standard in the SAIs. If there are many requirements, the standard is not applicable in all SAIs. The consequence can be that a SAI is not in compliance with the ISSAIs when missing one requirement.

Ms. Aurelija Brukštutė: The new ISSAI 4000 are missing how to do the audit and information for application. Examples separated by guidelines could be a solution.

Ms. Christina Breden: I agree with Mr. Juan Javier Perez Saavedra. The new ISSAI 4000 should be generic for all SAIs to be able to implement. It is stated in the South African declaration that the standards have to be generic.

Mr. Jens Gunvaldsen: There are many dilemmas. The standards have to be generic, but there is a need to go further in the process of the new ISSAI 4000. Organs like IDI and CBC in the INTOSAI have a mandate to implement the ISSAIs, and this is important to

remember. Hence CAS must use its knowledge to assist IDI in any way to implement the new ISSAI 4000 in the future.

**Suggestion for further process:**

The secretariat suggests the following for the working process after the discussions of the committee regarding the agenda item IV:

28<sup>th</sup> of November 2014: A new version of the ISSAI 4000 is sent to all CAS members from the CAS secretariat.

5<sup>th</sup> of January 2015: The CAS members have given their feedback to the CAS secretariat.

30<sup>th</sup> of January 2015: The new ISSAI 4000 is sent to PSC.

The Court group will have an additional process:

26<sup>th</sup> of September 2014: the Chair is sending out the revised Court document with explanations of what was decided upon in the meetings the 15<sup>th</sup> and 16<sup>th</sup> of September.

23<sup>th</sup> of October 2014: The Court group members have given their feedback to the CAS secretariat.

## **Agenda item V Integration of Court of Accounts paragraphs into the ISSAI 4000**

Mr. Jens Gunvaldsen gave a short introduction regarding the court group and their work. Prior to the 12<sup>th</sup> CAS meeting the court group has had two productive days, discussing the implementation of the court issues in the new ISSAI 4000. The court group worked on the requirements both from the ISSAI 4100 and ISSAI 4200 as well as additional text created by the group.

The starting point is the audit phase. The instruction and judgment phase are imbedded in the national structure which will be impossible to add to the standards. The new ISSAI 4000 will not contain much additional material.

Sections where text will be added/changed will be amongst other in:

New introduction text: The scope is the court of accounts environment and different kind of courts. There are some comments in the court group on exposure, but so far the text is as decided.

Regarding materiality text will be added. Identified issues for courts can be: public deficit - personal liability is special for the courts.

Regarding assurance: personal liability is here special for the courts.

Concerning audit evidence: must be recognized when performing the audit to consider evidence because it might end up in law.

Regarding reporting requests for the court of accounts: This is moved and added with specific elements regarding instruction.

Ms. Helena Fernandes: This has been a lot of work for everybody. Portugal and Brazil has come up with a proposal. Some are already dealt with by Tunisia. It is important to

include what is common for the courts of accounts, but at the same time it is difficult to find what is common because all SAIs as well as all courts of accounts are different. Human rights was discussed in the court of account meeting, but was decided not to be included. The court of account group has not worked through the whole document in the court of account meeting prior to the CAS meeting. All members of CAS must read the document regarding the courts hence some proposals maybe applicable to all SAIs.

Ms. Christina Breden: Courts have different forms. Some SAIs are courts although they have not a jurisdictional function. There is a need to amend the definition in the standard where court of accounts is mentioned.

## **Agenda item VI Implementation issues**

Ms. Ingvild Gulbrandsen and Mr. Shofiquil Islam presented the main issues (see presentation: *Mind the gap - from standard to implementation*).

Since the CAS meeting in Brazil in 2013, IDI and the CAS secretariat have been working with narrowing the gap from standard to implementation, by developing a handbook in compliance audit (work done in Abu Dhabi and Oslo) and running a seven week e-course for participants from SAIs all over the world. During the e-course Ms. Aurelija Brukštutė and Ms. Ingvild Gulbrandsen acted as mentors and experts. Mr. Shofiquil Islam has in addition to the handbook and e-learning course worked with the 3i programme, translations and ISSAI certification programme. In the program IDI educate ISSAI facilitators (up to now 200 with 2-3 facilitators in each region). In addition he has been working with iCAT, a tool to map and identify needs at level 4. iCAT is not an evaluation tool.

Ms. Christina Breden: SAI-PMF, level 3 versa iCAT level 4, is the questions similar?

Mr. Shofiquil Islam: SAI - PMF are at level 3, iCAT is level 4. iCAT has to be revised when the ISSAIs are maintained. Meanwhile, 400 are at a high level. ISSAI 400 is on principle level and you cannot apply the ISSAI 400. The tools are as good as possible at the time being regarding narrowing the gap since the iCAT is based on a high level view of the existing ISSAI 4000-series. iCAT is translated to different languages.

The experiences from the work of the IDI are that the SAIs needs detailed guidance on how to do the audit. For the time being, it is difficult to interpret this from the handbook. With combined audits, how far can we integrate? We have to do risk based approach to compliance audit.

There is a need to understand the standards better professionally at a higher level. Level details on requirements will help.

The IDI 3i Community Portal: IDI can facilitate this portal by making a portal for CAS to communicate.

Ms. Aurelija Brukštutė informs about an Eurosai initiated seminar in Lithuania in October where the topic is compliance audit. It is going to be separate workshops, one for methodology and two for auditors where the aim is to discuss and exchange practice.

Workshop 1 (for auditors). Standalone compliance audit vs. combined compliance and financial/performance audit.

Workshop 2 (for auditors) (consisting of two parts):

- a) Identifying audit scope, subject matter and criteria
- b) Sampling for reasonable assurance



Workshop 3 (for methodology staff). Exchange of experience on compliance audit.

### **Agenda item VII Venue next meeting**

Venue of the 13<sup>th</sup> CAS meeting in 2015 has not yet been decided, but the Chair/secretariat is in the process of finding a good solution. All members will be informed as soon as it is official.

### **Agenda item VIII AOB**

Norway will hand over the chairmanship at the INCOSAI 2016 meeting, and will inform the INTOSAI regarding the hand over process soon. In due process the Chair will inform in a letter to all CAS members if a CAS member country would be willing to enter the CAS chairmanship.

Ms. Mona Paulsrud is leaving the CAS secretariat, and will be joining the practical audit in the SAI of Norway. Ms. Ingvild Gulbrandsen will take over as the head of secretariat and will draw on other people in the organization within the Norwegian SAI like Ms. Åse Kristin Berglihn Hensen. Hence there will a regroup of the resources within the CAS secretariat.

Mr. Jens Gunvaldsen is thanking Ms. Mona Paulsrud for her participation and excellent work for the last four years in the CAS secretariat. The committee wishes Mona all the best.

No other comments.

### **Agenda item IX Closing of the meeting**

The Chair of CAS, Mr. Jens Gunvaldsen, thanked the participants for their dedication and participation in the work of CAS.