

Working Group Meeting Oslo 5 September 2005

— Minutes —

Meeting Introduction

The second meeting in the INTOSAI ASC Working Group on Compliance Audit was held in Oslo, Norway, at the Hotel Bristol 5 September 2005. Norway's Auditor General Bjarne Mørk-Eidem and Director General Jens Gunvaldsen welcomed working group members and observers from 11 countries. Denmark, Namibia, Norway, Saudi Arabia, Slovakia, Sweden, Tunisia and Ukraine have been members of the working group since it was established. In addition, Lithuania, Morocco, Portugal and Tonga were represented at the meeting, and were invited to become future members if they wish so. The participants each presented themselves.

Jens Gunvaldsen gave an introduction to the work on developing INTOSAI guidelines for compliance audit, taking the cooperation between the Working Group on Financial Audit Guidelines and IFAC/IAASB on the development of guidelines for financial audit as a starting point. Due to SAIs' extended mandate compared to that of private sector auditing firms, ASC has identified a need for developing further guidelines on compliance audit. The new Professional Standards Committee (PSC) will succeed ASC, and the Working Group on Compliance Audit, renamed the Compliance Audit Subcommittee, will subsequently report to PSC.

Issues Paper

After an introduction by Jens Gunvaldsen the Working Group discussed the Issues Paper to be presented for approval at the ASC meeting the following day.

The Working Group made comments on the relationship between the concept of compliance audit and the concept of regularity audit as used in the existing INTOSAI Auditing Standards. Cf. the comparison between the tentative definition of compliance audit and the INTOSAI definition of regularity audit on page 9. There may be a need to adjust the use of the concept of regularity audit as a result of the prospective compliance audit guidelines.

The Working Group emphasized the various aspects of compliance audit in SAIs of the court type, distinguishing between audit procedures when focusing on the responsibility of the management of an audited entity, and procedures when focusing on the responsible accountants. The distinction will be followed up in the draft guidelines to be developed in the next phase of the work.

The tentative definition on page 9 was discussed and commented from different viewpoints. It was argued that the bullet point on norms and standards belonged to performance audit instead of compliance audit, but also that in some countries this audit of "probity and propriety" is an

important aspect of compliance audit. It was asked if it was necessary to use the formulation “depending on the mandate, etc” in the tentative definition, but because of the variety of mandates and conditions, the formulation was maintained in order to have a definition that is sufficiently flexible to take account of all varieties.

On the audit of state revenues, on page 9, it was commented that revenues of a commercial nature could have a different audit approach.

On page 11, second bullet, it was pointed out that a SAI could be required to report on *all misstatements*, not only on *significant* compliance issues, as written in the Issues Paper.

It was agreed to refer to the discussion, especially relating to the court model, in presenting the Issues Paper at the ASC meeting.

Cooperation between the Subcommittee on Financial Audit Guidelines and Subcommittee on Compliance Audit

Jens Gunvaldsen informed the Working Group on an informal paper of understanding between the working groups (renamed subcommittees) on Financial Audit Guidelines and Compliance Audit.

In the discussion it was emphasized that it was necessary to coordinate the work between the two subcommittees. However, the paper should also point to the coordination that takes place within the new PSC, and be drafted in a way that could be relevant also for coordination between other groups/subcommittees.

It is a purpose of the informal paper to ensure that the FA and CA groups have a common understanding of the CA group’s development of compliance audit guidelines – with emphasis on financial-compliance audit before INCOSAI 2007. The paper should, however, also stipulate that the FA group should provide the CA group with information received from IFAC/IAASB and other sources. It is then up to the CA group to assess if the information is relevant for the development of compliance guidelines.

It was pointed out that paragraph 4 on funding should be adjusted in accordance with the INTOSAI development of coordinating funding issues.

A rephrasing of the informal paper will be discussed with the Financial Audit Guidelines group.

Overview of the different mandates

Ibrahim Albaghdadi, Saudi Arabia, presented the document “Compliance Audit – Overview of mandates of different SAIs”, prepared by Working Group members from India, Denmark, Namibia and Saudi Arabia. The sub-group, supplemented if possible with a representative from the court type of SAIs, will try to analyse the material further, to be used as input to the development of compliance audit guidelines. Saudi Arabia will coordinate the analysis.

Glossary of relevant terms/definitions related to compliance audit

The glossary should primarily contain terms used in the prospective compliance audit guidelines, and it was agreed that it should be developed in parallel with the guidelines. The time frame for preparing a glossary was therefore adjusted to February 2007, to be in accordance with the time frame for the Exposure Draft, with later revisions if appropriate.

Work Plan and distribution of assignments

The Working Group made the following adjustments, which will be incorporated in a revised version of the Work Plan:

- Denmark and Slovakia, who assisted Norway in the development of the Issues Paper, will together with Tunisia assist in the development of the First Read draft.
- Saudi Arabia, Denmark, Namibia and India, who compiled the overview of mandates, will analyse the material further. Portugal and Lithuania will clarify if they want to participate in the Working Group, and if so supplement the mandates group. (Lithuania has after the meeting decided to join the Working Group/Subcommittee, and thus the mandates group.) The time frame for the analysis was set to the next Working Group meeting in spring 2006.
- Morocco will clarify whether it wants to participate in the Working Group, and if so supplement Ukraine, Saudi Arabia and Sweden in preparing a list of relevant terms/definitions related to compliance audit, with February 2007 as time frame.
- The Working Group agreed on holding the next Working Group meeting in spring 2006. Date and venue will be decided later.

Joint meeting with Working Group on Financial Audit

At the end of the meeting the Working Group on Compliance Audit had a joint meeting with the Working Group on Financial Audit Guidelines. Jonas Hällström from the WG on FA presented an audit scope for financial audit that allowed for mandated additional auditing and reporting requirements related to the audit of financial statements. Jens Gunvaldsen pointed out that the tentative definition of compliance audit was related to audit of financial statements, and therefore fitted into the audit scope for financial audit. Cf. the recommendation that the Compliance Audit Guidelines to be presented at INCOSAI 2007 should have its emphasis on financial-compliance audit.

The joint meeting exchanged a few comments on the tentative definition of compliance audit, related to the bullet point on norms and standards and to audit of internal control.

Working Group Meeting Participants
Oslo, Norway
5 September 2005

Representatives

Rolf Elm-Larsen	Director (Denmark)
Rimantas Bruzgulis	Mr. (Lithuania)
Nijole Muckuviene	Ms. (Lithuania)
Ahmed El Kasmi	Mr. (Morocco)
Dirk Kotze	Director (Namibia)
Elenora Almeida	Auditor (Portugal)
Ibrahim Albaghdadi	Director (Saudi Arabia)
Zora Dobrikova	Vice president (Slovakia)
Maria Kysucka	Director (Slovakia)
Marie Örtengren	Deputy Director (Sweden)
Pohiva Tuione Toa	Auditor General (Tonga)
Amel Elloumi Baoueb	Magistrate (Tunisia)
Olexander Yaremenko	Deputy Head (Ukraine)
Sergey Kovalchuk	International Relations Officer (Ukraine)
Bjarne Mørk-Eidem	Auditor General (Norway)
Jens Gunvaldsen	Director General (Norway)
Leif Egil Berland	Senior Audit Adviser (Norway)

Observers

Per Engeseth	Director General (Norway)
Erna Lea	Deputy Director General (Norway)
Stig Kilvik	Deputy Director General (Norway)
Lars Christian Møller	Deputy Director General (Norway)
Helge Strand Østtveiten	Deputy Director General (Norway)
Kjell Thorne	Deputy Director General (Norway/IDI)