



DRAFT MINUTES
INTOSAI Financial Audit Guidelines Subcommittee
Meeting in Ottawa, 18-19 June, 2007

List of participants

Mr Stuart Barr	Canada
Mr Jesús Lazaro	European Court of Auditors
Ms Liezl van Schalkwyk	Namibia
Ms Ridley van Wyk	Namibia
Ms Amanda Measures	UK
Ms Marcia Buchanan	USA
Ms Gail Valieres	USA
Mr Gert Jönsson	Sweden (Chair)
Mr Jonas Hällström	Sweden
Ms Johanna Gårdmark	Sweden
Ms Camilla Brodén	Sweden
Ms Alta Prinsloo	IAASB (Observer)

1. Opening of the meeting by the Chair Mr Gert Jönsson

Deputy Auditor General Mr Rick Smith welcomed everyone to Canada, wishing everyone a successful meeting and a nice stay. Mr Gert Jönsson thanked the host for great cooperation with the OAG in preparation for the meeting and for a nice arrangement as such.

2. Approval of the agenda

Slight changes were made to the agenda; item no 7 will be Funding issues, to be able to discuss those issues together with the Budget and Work Plan, agenda item 6. The agenda was approved.

3. Approval of draft minutes from the FAS telephone conferences in January and February 2007 (Mr Gert Jönsson)

The three telephone meetings have been combined into one set of minutes. Comments:
Page 6 – 3rd last § - Alta's experience not IFAC's. Has been corrected.
The reference made to §15 should be to §12-13 – there is no §15.
With these changes made to the minutes, the minutes were approved.

4. Update on activities since last meeting (Mr Jonas Hällström)

Mr Jonas Hällström gave an update on progress since the last meeting;

- Finalized Practice Notes.
- Drafting of ISSAI 1000.
- Compliance Audit Subcommittee cooperation.

- Funding activities.
- New Work Plan and Budget.
- No new Practice Note Task Forces formed during the period.
- No new IAASB Task Forces formed during the period.

Ongoing IAASB Task Forces with INTOSAI experts:

- ISA 550, Related parties – Practice Note expected 2007.
- ISA 402, Service organizations – Practice Note expected 2009.
- ISA 620, Use of an Expert – Practice Note expected 2008.
- ISA 505, External confirmations – Practice Note expected 2009.
- ISA xxx, Control Deficiencies noted in an audit – Practice Note expected 2009.

Practice Note Task Force work

- ISQC 1- PN withdrawn – please see agenda item 10.
- Practice Notes for ISAs 220, 300, 315, 330, 450 for approval in Ottawa.
- Practice Notes for ISA 240, 320, 600 - drafts are not yet ready to be approved.

IAASB Task Force work

- Practice Note for ISA 230 has been approved.
- Practice Note s for ISA 260, 800, 805 for approval in Ottawa.
- Practice Note s for ISA 402, 505, 550, 620 and xxx are on-going.

ISSAI 1000 was redrafted after the PCS steering committee meeting in Bahrain, for discussion in FAS during the Ottawa meeting.

Status of the work of the expert groups:

Focus Group: There have been no activities during last 12 months. The group is not fully staffed. Ms Alta Prinsloo of IAASB pointed out that the IAASB has been focusing on the Clarity project. When the IAASB's agenda is set for 2009, there will be more documents for the Focus Group to consider. When new work is initiated by IAASB again, FAS will be prepared to put together a group swiftly and deal with it without a problem.

Court of Accounts Expert Group: Some members have provided very useful information. The group is not fully staffed.

Compliance Audit Reference Group: The group has actively supported and provided valuable input to the work of the Compliance Audit Subcommittee.

Clarity Reference Group: The group has provided the IAASB with greatly appreciated input with very short notice. The IAASB staff is very pleased with how well the cooperation has worked.

5. Report from the PSC meeting in Bahrain (Mr Gert Jönsson)

New mandate - The issue of a new mandate for the period 2007-2010 for the PSC was brought up in Bahrain. Work will go ahead as planned for the PSC, and also for FAS.

After 2010 - Life for FAS after 2010 was discussed. This will require a substantial investment. INTOSAI should be prepared to set up a permanent body to take this further.

Survey - The PSC has carried out a survey amongst SAIs on how standards are used. Everyone was encouraged to read the result of the survey on the PSC homepage.

Training – The PSC will consult their members on needs of training.

FAS presentation - A presentation was given on the FAS work, which received positive remarks and a supportive attitude from the PSC steering committee. This is a result of FAS' members taking on a shared responsibility for the work and everyone should take credit for this positive response.

PAS presentation – The steering committee asked for a more developed work program to be presented by PAS. PAS is not very far on the way to finished guidelines/standards. Their work still revolves around the already existing Implementation Guidelines on Performance Audit.

Conclusion: Minutes from the Bahrain meeting will be sent out to FAS as soon as they arrive.

6. Work Plan 2008-2010 and budget 2008-2010, (discussions and approval) (Mr. Jonas Hällström)

There has been no change in objective or main activities of the work plan. The development of Practice Notes is concentrated around the period 2008-2009. The work in Special Expert Teams (SET, former SWAT; four experts working with 2-3 back office experts concentrating on groups of PNs) has been successful, and we will continue to handle groups of PNs this way. The disadvantage is that this way of working is more costly, but the advantage of speeding up the work weighs more heavily.

A new detailed timeline has been included in the Work Plan for everyone's reference. The IAASB timetable is updated at every meeting and the FAS timeline is adjusted accordingly.

FAS' comments to the work plan and budget before approval:
The PN for ISA 320 is planned for completion in 2007, but we doubt we can do that. The PN for ISA 320 will most likely be presented as draft for INCOSAI.

The number of SETs shows the need for a lot of experts, but some experts will need to be used for two assignments. This is due to the fact that many experts lack sufficient skills in English, standard-setting experience, etc. After having had PNs translated this year, we shall try to broaden the use of experts.

The budget is based on the budget for the previous period 2004-2007, which was based on a survey sent to the member SAIs asking for their actual costs. Salaries been written up by 3,5% per year.

During the budget period the IAASB could start as many as 12 new projects- not only in the area of auditing, but also for assurance engagements other than audits. It will be likely that the INTOSAI will participate in some of these new projects. It will also be sending the wrong messages if INTOSAI does not show participation in at least 3-4 projects. The budget will be revised accordingly.

Next year the Expert meeting could be used for reviewing the work processes surrounding the different types of task forces. The project might close in 2010, but the work processes should be kept going.

Conclusion:

- The UK would like to be involved in PN600 if it goes into a TF.
- Working in SETs will continue.
- The work processes should be reviewed.

- After changes according to FAS' comments the work plan and budget were approved.

7. Funding Issues (Ms Johanna Gårdmark)

We have received contradictory messages from the World Bank with regards to their contribution will in the future. According to some indications they will cease their financial support of the project, and according to other indications they will support FAS with USD 70,000 per year for the coming five years.

The Islamic Development Bank is a potential contributor that we are considering approaching. Ms Alta Prinsloo told FAS that the IDB is represented on the Consultative Advisory group and would share that contact. The Project Secretariat will resume contact the Inter-American Development Bank. The Project Secretariat have prepared an application for the African Development Bank, which is ready to be sent

During 2008 the World Bank will carry out a review of the PSC's (and its subcommittees') work processes. A similar review has been done of the International Public Sector Accounting Standards Board (IPSASB) of IFAC. It was a very thorough review and the World Bank is likely to compare the work processes of the PSC with information gathered during the review of the work processes of the IPSASB. The reviewers will be invited to come to IAASB as they cannot just review the overall processes, but must see to the complete picture to understand the work. FAS needs to assure that they see both the technical work and the administrative and decision making processes.

Conclusion:

- The Project Secretariat will continue its efforts to secure funding.
- FAS will prepare for the World Bank's review of the project in 2008.

8. Approval of PNs (Mr Jonas Hällström)

The work with the Practice Notes was introduced by Jonas Hällström. FAS made comments and changes to the PNs directly in the document on site. With the changes made, the following PNs were approved:

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|----------|----------|
| • PN 220 | • PN 330 |
| • PN 260 | • PN 450 |
| • PN 300 | • PN 800 |
| • PN 315 | • PN 805 |

The Practice Note for ISA 320 was not ready for the subcommittee's consideration and will be reviewed during the meeting in August.

9. Discussions and approval of ISSAI 1000- Introduction to the Financial Audit Guidelines (Mr Jonas Hällström)

ISSAI 1000 was requested by PSC and it was presented at the PSC's Bahrain meeting. ISSAI 1000 is the introduction explaining the use of the Financial Audit Guidelines. Very few comments were received from the members of the PSC steering committee.

Main question; shall ISSAI be exposed for comment or not?

We welcome comments in writing by 6 August latest. A draft will be presented at INCOSAI in November.

Keep the following questions in mind when giving input:

- Is the guidance provided relevant to serve as introduction to the Financial Audit Guidelines?
- Are there any issues not reflected that could be of relevance?
- Is the level of content relevant?
- Should the document be exposed for comments?
- An alternative would be to send it to some of our experts for comments before exposure?

Comments by FAS:

Beware that there are not too many duplications, as it seems many things are repeated. Try to make it more user-friendly, and shorten it a bit. This can be done by putting bits in appendices.

It is an INTOSAI document, but feels like a FAS document. The wording should be consistent with the fourth level of INTOSAI guidance.

ISSAI 1000 should be exposed for comment before it is finalized in 2010. The sections we expect to need to update regularly should be in appendices and it should be made clear that changes in appendices will not require re-exposure of the document. This way it can be kept a living document.

IFAC is revising its policies relating to translation and FAS should consider the revised version before finalizing the translation policy.

An explanation how ISSAI 1000 documents link together with ISSAI 1001 (Bridge between INTOSAI Auditing Standards and ISAs) and ISSAI 1002 (General considerations when applying ISAs in the Public Sector) would be very good.

In chapter 12 the exposure process should be explained. Section 14 could be a good place for an explanation regarding the effective date.

Conclusion:

- There will be a draft presented at INCOSAI, but no exposure before then.
- The subcommittee is asked to send comments to both Jonas Hällström and Johanna Gårdmark by 6 August latest.
- ISSAI 1000, 1001 and 1002 should be exposed at the same time before INCOSAI 2010.

10. Approval of PN to ISQC1 to be handed over to the new PSC project on Audit Quality (Mr Jonas Hällström)

The PSC has decided to set up a new project to develop an Audit Quality code. We will go through the draft PN to ISQC1, to assure that the document we put forward reflects the opinion of FAS. The drafted PN to ISQC1 has been amended according to FAS' earlier discussions. The subcommittee is requested to approve it to be handed over to the new project, reflecting the standard and guidance relating to financial audit. The PN will not be exposed. FAS' members provided some additional comments and the document was revised during the meeting.

The new project organization has however not been formed yet.

Conclusion:

- The subcommittee approved that ISQC1 is handed over to the new PSC project on Audit Quality, after some alterations were made at the meeting.

11. Nominations to the new PSC project on Audit Quality (Mr Gert Jönsson)

The FAS members of the United Kingdom and the European Court of Auditors are interested in participating. Staff from the United States and technical staff of IAASB are also willing to contribute.

Conclusion:

FAS will nominate the UK and ECA for this task. FAS will also suggest that they consider contacting IAASB staff in this regard. The US can liaise with them if that proves possible.

12. Suggestion for format based on ISSAI 1230 (Ms Johanna Gårdmark)

The suggested ISSAI format was introduced by Johanna Gårdmark. Main questions: Should the ISA or PN come first? Should they be synchronized lay-out wise?

Comments by FAS:

There was agreement that the PN should be first, and it should include numerous cross-references to the ISA, Each page should include instructions that the PN should be read together with the ISA.

The ISA and PN should follow the standard format of IFAC and INTOSAI respectively. A back-page should be added. The Project Secretariat will check INTOSAI's copyright rules.

Conclusion:

The given structure was approved, after changes as discussed.

13. Discussions on suggestions for a new FAS organization after 2010 (Mr Gert Jönsson)

We have proposed that the PSC put forward a motion to INCOSAI to decide on the future maintenance of the financial audit guidelines. FAS was requested to seriously consider the issue, which will be discussed at the Stockholm meeting in August. All suggestions will be welcomed by the Project Secretariat. Funding of the solution will be one issue to discuss. After the Stockholm meeting we will hopefully have some options to present to the PSC.

Conclusion:

The members of FAS were asked to consider the question of a future solution for continuously updating the guidelines, and send any ideas to the Project Secretariat, or bring them to the Stockholm meeting.

14. IAASB Information on activities (clarity status, expected new projects) (Ms Alta Prinsloo)

Ms Alta Prinsloo gave an update on IAASB activities.

15. Discussions on the draft Compliance Audit Guidelines (Mr Jonas Hällström)

The draft compliance audit guidelines were presented at the PSC meeting in Bahrain. These were recently sent to INTOSAI members for comment, giving a very short time for input.

FAS has provided comments and advice throughout the development process, FAS experts have helped out in the process of CAS, and meetings have taken place between CAS and FAS secretariats. Shall FAS comment on the recommendations as a subcommittee or shall the members of FAS comment separately/per SAI?

ECA is a member of CAS, but cannot consider this document as it has not had approval from the Compliance Audit Subcommittee. Disappointment was expressed. Discussing the principles as CAS did in Denmark does not give the Chair the mandate to send the document for exposure.

The guidance is contradictory to the ISAs.

FAS should suggest, if CAS are not ready in time for the Congress, to rather present a draft than a sub-quality product? It may be necessary to re-expose, and they should be aware of that.

Conclusion:

A letter will be sent from FAS/project secretariat – asking for more time, but please also reply to this draft as separate SAIs. Please send a copy of your SAI's comments to Jonas/Johanna. Please send any additional FAS-specific comments by 10 July.

16. FAS Translation Policy (Ms Johanna Gårdmark)

The main points previously agreed regarding translations are:

- After exposure, before approval
- Only PNs and INTOSAI guidance, not ISAs
- Project Secretariat's responsibility
- Quality assurance by FAS members

The Project Secretariat will redraft the translation policy after considering the revised IFAC policies and hope to be able to present a new draft in time for the meeting in August.

The Project Secretariat has put together a draft key-word list which was distributed to FAS. We will use this as a basis for developing a FAS glossary to facilitate both implementation and translation of the Practice Notes.

Conclusion: The key-word list as well as the glossary will be completed in time for the Stockholm meeting in August.

17. Coming meetings (Ms Camilla Brodén)

23-24 August FAS is welcome to Stockholm, please remember to register as soon as possible if you have not already done so. We have had confirmation from two hosting SAIs for our meetings in 2008.
Early April (?): NAO London
September/October: Republic of Korea

A request was extended to the group now already to host the meetings in 2009. Member SAIs who have not yet hosted a meeting are ECA, Brazil and Jordan.

18. Any Other Business (Mr Gert Jönsson)

AOB 1) Membership and participation in FAS meetings

Mr Gert Jönsson participated in the Global Working Group meeting in San Francisco in April, and took part of their suggested requirements on members. We face similar problems in FAS, and we set up criteria for membership in FAS. Proposed criteria were:

A FAS member SAI should

- be represented by a representative technically experienced in financial audit and standard setting
- participate in one out of every two physical meetings
- strive to have continuity in its representation
- contribute actively to the work of FAS between meetings [Note: Consider expanding as follows: contribute actively to the work of FAS **during** and between meetings]

Comments by FAS:

There was agreement with the general concept, exploring reasons why members cannot attend. However, FAS needs regional spread and representation from both the Court of Accounts and Auditor General model SAIs. These requirements are especially important as this group approves documents and if there are different people each time, or some people are always absent the quality of the products is affected. Participation around the table is also important.

Conclusion:

See this is a starting point, the question will be brought up again in Stockholm and the aim will be to set the criteria then.

AOB 2) ISA on one page.

Kelly Ånerud has put together an ISA on a one page document. This will be discussed in Stockholm as well. It will be brought up within the IAASB too.

Comments by FAS:

- Great as a high level presentation for anyone not involved in the actual work of the ISA/PN.
- We need to make sure that people do not use this instead of the ISA and PN in their work.

19. Conclusions of the meeting by Mr Jonas Hällström

The conclusions were summarized as specified under each agenda item.