



**DRAFT MINUTES**  
**INTOSAI Financial Audit Guidelines Subcommittee**  
**Meeting in Stockholm, 23-24 August, 2007**

Participants:

Mr D. H. Eim	Korea
Mr Manfred Kraff	ECA
Ms Gail Valieres	USA
Ms Mandy Measures	UK
Mr Andrew Baigent	UK
Ms Kelly Ånerud	Norway
Mr Michael Nugent	IFAC
Mr Gert Jönsson	Sweden
Mr Jonas Hällström	Sweden
Ms Johanna Gårdmark	Sweden
Ms Camilla Brodén	Sweden

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

Auditor General Karin Lindell gave a few opening remarks welcoming everyone to Stockholm and to the meeting.

Gert Jönsson opened the meeting and introduced the new faces around the table; Mr Manfred Kraff of ECA replacing Jesús Lazaro, and Andrew Baigent of the NAO. Michael Nugent participated from IFAC/IAASB, replacing Ms Alta Prinsloo.

2. Approval of the agenda

The agenda was approved.

3. Approval of draft minutes from the FAS meeting in Ottawa 18-19 June (Mr Gert Jönsson)

Changes had been made to the minutes according to comments from Ms Alta Prinsloo (IFAC) and Mr Jesús Lazáro (ECA). Apart from some typos and editorials, changes were made to:

§4; the IAASB has been focusing on the Clarity Project and therefore the activity of the Focus group has been low.

§6; the IAASB *could* start as many as 12 new projects, instead of *will*.

§7; clarifying that the World Bank carried out a review of the International Public Sector Accounting Standards Board (IPSASB).

§11; FAS will also suggest that UK and ECA consider contacting IAASB staff regarding the PSC project on Audit Quality.

§15; a foot-note saying that the President of ECA has sent a letter to the Auditor General of Norway indicating that the ECA cannot consider the CA Guidelines approved by CAS.

§18; ...contribute to the work of FAS during and between meetings.

The Ottawa meeting minutes were approved.

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

The Work Plan 2008-2010 was discussed at the Ottawa meeting and it was decided that the formal approval would be made at the Stockholm meeting after discussed changes were made.

Implementation and permanent structure after 2010 is a huge strategic matter which we need to focus on after INCOSAI. It should be raised by the PSC to make the discussion as strategic as possible in order to commit all of INTOSAI to the future development and implementation of all standards. FAS has some responsibility to facilitate the implementation, but we cannot take full responsibility for all aspects.

In the budget the additional work for the experts on IAASB TFs has been included – no other changes have been made.

The four IAASB projects have not been identified yet.

**Conclusion:** With changes and additions as mentioned above the Work Plan and budget 2008-2010 were approved.

#### 5. Funding Issues (Ms Johanna Gårdmark)

FAS needs close to a million dollars in external funds during 2008-2010.

- *The African Development Bank* has recently responded to our request and is willing to support us, but does not have a practical solution for how this can be arranged. Eligible applicants to the Nordic Trust Fund on Governance, which was the suggested source of funding, must reside in Africa. The Secretariat will keep FAS posted on how we handle this.
- *The Asian Development Bank* is also positive, but we can only use their funds for actions within their region or to cover costs relating to their members.
- *The World Bank* has not confirmed their contradictory information on their future support. The FAS secretariat will travel to Washington as soon as possible, to meet with the World Bank, and possibly the IMF, directly.
- *The Inter American Development Bank* is willing to contribute to the implementation phase only, not to the development of the guidelines.
- *European Commission* - A suggestion came up from the FAS representative from ECA, Mr Manfred Kraff, that we should contact the European Commission regarding funding. Mr Kraff agreed to help organise this contact.
- *The Islamic Development Bank* will also be approached – initial contacts have been made with the help of one Reference Panel Expert from Saudi Arabia.
- *Others:* Mr Kjell Larsson at OLAF, former Auditor General of Sweden and member of the IAASB, can be a good contact.

Due to different rules and regulations of the Development Banks, securing external funding is a very complex task. If it fails, the alternative for the time being, is that the Swedish National Audit Office covers all costs for the FAS Secretariat, and all other participating SAIs cover their own costs, including those in connection with Reference Panel meetings. This will mean a loss in participation and thus perspective, and mean a great risk for losing acceptance around the world. The worst case scenario would be not having sufficient funds to cover the translation costs.

**Conclusion:** FAS is encouraged to be creative and come up with ideas on how to reach out to the world. The secretariat will put in more time on communication and information to our stakeholders. The FAS chair will make personal visits to funding organisations whenever possible.

#### 6. Approval of PN 320 for translation (Mr Jonas Hällström)

Many changes have been made to this PN; it has now been written in the same format and aligned with the other PNs approved by the subcommittee. The experts have decided that PN 320 will not deal with determining materiality for additional objectives; instead the PN will refer to additional guidance developed by the INTOSAI.

**Conclusion:** FAS approved PN 320 for exposure after changes made.

#### 7. Approval of the translated PNs below: (Mr Jonas Hällström)

Editorial changes were made to several ISAs. The most important issues raised were:

- PN 220

The use of the word jurisdiction was discussed at the meeting in Ottawa. It was decided to delete it as it means different things in different countries. It was also suggested to use assign instead of appoint on his/her behalf.

- PN 230 (revised)

This will be put before the Governing Board and the Congress to be approved again, after quite a few new changes due to the IAASB Clarity Review of ISA 230.

It was suggested to delete *jurisdictions* and include *environments* instead (§5).

#### *Fatal flaw check*

During the fatal-flaw procedure that has been carried out by the technical staff of IAASB, some changes were made to the PNs after the Ottawa meeting. IAASB's new wording has been included as foot-notes. The Secretariat concluded that the fatal flaw check must be made at an earlier stage in the future to assure that the version FAS approves for translation has already been checked.

#### *Translation procedure and status of quality assurance.*

The final translation of the PNs to the five INTOSAI languages was finished by Büro Tazir in Germany during the summer. Due to holidays in many countries the process has been a little delayed.

The quality assured translated PNs will be sent out for FAS' approval. If major comments arise, we will set up a telephone meeting for the formal approval of the PNs.

**Conclusion:** FAS was happy to take the quality assurance statement from the proof-readers as a seal for approval, and delegated the approval to the Chair. The PNs will be sent out to the subcommittee and only if necessary a telephone meeting will be set up.

8. [Discussions of ISSAI 1000 and approval for exposure and presentation at INCOSAI 2007 - Introduction to the Financial Audit Guidelines \(Mr Jonas Hällström\)](#)

The ISSAI 1000 document will stay a draft until we are completely satisfied with it. It will be presented as a draft at INCOSAI. Since the meeting in Ottawa the following general comments were received and changes were made accordingly;

- Remove all references to internal procedures.
- Move the list of planned PN/ISSAIs to an appendix.
- Move section on Authority of ISAs to an appendix.
- Change the numbering in accordance with PSC standards.

FAS went through the document in detail and made substantial changes during the meeting. A discussion took place on exposure of remaining documents. It was agreed that ISSAI 1000 will be exposed for comment together with ISSAI 1001 Bridge between INTOSAI Auditing Standards and International Standards on Auditing, ISSAI 1002 General Considerations when Applying International Standards on Auditing in the Public Sector and ISSAI 1003 Glossary to the Financial Audit Guidelines.

**Conclusion:** Document approved to be presented to the INCOSAI as a draft. The changes suggested at the Stockholm meeting will be incorporated and then sent out to FAS before INCOSAI.

9. [Approval of ISSAI format \(Ms Johanna Gårdmark\)](#)

The front page has been developed by PSC secretariat. The text at the bottom of the front page has been adapted to each ISSAI by IAASB. The format of the ISAs will be kept as it is. There should be a clear mark of where the start of the IFAC part is.

**Conclusion:** The format was approved.

10. [Discussions on suggestions for a new FAS organization after 2010 \(Mr Gert Jönsson \)](#)

The subcommittee was asked to continue to consider the future organization of FAS, to bring the issue back home to each SAI for further discussion. All input and all ideas are welcome. The following points can form a base for such discussions:

- There will be a need for a committee, board or reference group to maintain the INTOSAI connection. It could be set up as:
  - A PSC-body
  - A separate body
  - Other
- A secretariat will be needed, consisting of 1-2 members. Who should appoint and fund them and where should it be located? It could be:
  - Connected to the INTOSAI General Secretariat
  - A long-term commitment from an individual SAI
  - Connected to IFAC/IAASB Technical staff
  - Other

First, FAS suggested that the tasks/duties after 2010 are identified:

- Continue monitoring other standard setting bodies, like the IAASB. (Consider if this work should focus only on FAS or also include CAS, PAS etc.)
- Continuously review and update existing ISAs and PNs.
- Maintain contact with stakeholders.

- Support the users of the standards. We have the Capacity Building Committee and the Knowledge Sharing Committee to help manage the issue of implementation.
- Make use of the regional organisations around the SAIs and “train the trainers”. Especially small SAIs need help and training.
- Maintain continuity in the group to assure that experience gained is maintained. Maintain contact with those involved at this stage – possibly through some kind of network.

**Conclusion:** The subcommittee was encouraged to read the PSC draft mandate and to inform their SAIs’ representative to INCOSAI to support the PSC draft.

#### 11. IAASB Information on activities (Mr Michael Nugent)

Mr Michael Nugent gave a status report from IAASB. The main points were:

- The progress of the Clarity Project.
- IAASB draft strategic plan (60 days exposure later in the year approx 1 Oct-end Nov).
- The strategic plan survey that has been answered via the FAS representative to CAG, Mr Filip Cassel.
- The meeting with steering committee of the PSC.
- IAASB thoughts on “Beyond 2010”.

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

FAS has submitted comments regarding the contents of the draft, not regarding the time plan and work process and it’s possible impact on the FAS work. FAS may have to take on some responsibility to help CAS forward and FAS may have to look into more ways to support CAS. We want INTOSAI to present a set of guidelines that are comprehensive.

FAS is slightly hesitant as it is always a question of time and resources to help drafting the CA guidelines, and it is difficult for the SAIs to commit to that. The representatives from ECA and the UK both shared experiences of developing compliance audit guidelines (or similar) and were willing to share their lessons and conclusions with Norway as chair of CAS.

FAS discussed how to best support CAS in its work and way forward. One suggestion was to combine FAS’ next meeting (London in April 2008) with a meeting with at least the CAS chair to discuss matters of mutual interest. FAS could also act as a test group for exposure drafts.

CAS will probably present a draft at the congress, and will then re-expose.

**Conclusion:** We should continue to support CAS and should cooperate as we do or more. It is a very important signal to send to them that we support what they do. After the Congress we will agree with CAS on FAS can best offer their support.

#### 13. Presentation and approval of revised FAS Translation Policy (Ms Johanna Gårdmark)

Ms Johanna Gårdmark introduced the translation policy and translation procedure. A procedure is a description of the FAS processes, while the policy provides advice for anyone translating the guidelines. The policy was renamed “recommendation” as that is indeed what they are. FAS will

encourage the PSC to inherit the translation issue as it concerns all PSC subcommittees. We will therefore remove references made to FAS in the recommendations.

**Conclusion:** FAS agreed that the PSC should be asked to take on the translation issue. FAS approved the translation recommendation as an appendix to ISSAI1000 and the translation procedure.

#### 14. List of key words presented and discussed (Mr Jonas Hällström)

The FAS secretariat has compiled a key word list based on the IAASB lists/IFAC glossary, some PNs and the glossary in the INTOSAI Auditing Standards. The list will be used for translation purposes, and will form the basis of the glossary.

**Conclusion:** FAS will get one month to go through the key words, input to the secretariat by 21 September the latest.

#### 15. FAS at INCOSAI in November (Mr Gert Jönsson)

FAS was informed about the schedule for FAS during INCOSAI. FAS will present a report before the PSC Main Committee, the Governing Board and at the First General Plenary Session.

The most important FAS issues that will be emphasized during these presentations will be:

- PSC proposal regarding future maintenance and development of standards and guidelines after 2010
- Approval of Practice Notes
- Approval of Work Plan

**Conclusion:** FAS was asked to prepare each Auditor General to speak on the importance of securing a permanent structure to develop and maintain guidelines after 2010.

#### 16. Criteria for membership (Mr Gert Jönsson)

This subject has emerged as FAS has faced SAIs eager to become members but who never show up at meetings nor contribute in between meetings. As FAS is a small group, all members need to contribute actively. The issue of alternative forms of membership was raised. The following recommendations for becoming a member were discussed:

A FAS member SAI should

- be represented by a representative technically experienced in financial audit and standard setting
- not miss two consecutive meetings
- strive to have continuity in its representation
- contribute actively to the work of FAS during and between meetings

**Conclusion:** Recommendations for membership approved.

#### 17. ISA/PN on one page (Ms Kelly Ånerud)

The ISA/PN on one page, which were presented by Ms Kelly Ånerud, are at an idea stage. It started from the sense from the feed-back on FAS' work, is that it is a bit daunting. How can we help gain acceptance and the implementation process? A picture can say a thousand words and can be a

tool to help people understand. It is a way to visualize the body of the ISAs and *not* an attempt to recreate or replace the ISAs.

FAS agreed that the ISA on one page gives the work a perspective and offers an overview of the whole process which is very positive.

#### 18. Coming meetings (Ms Camilla Brodén)

Our next meeting will be hosted by the NAO in London and the suggested dates are 8-9 April, 2008.

In September/October 2008 the meeting will be hosted by the BAI of the Republic of Korea.

In March/April of 2009 we have been invited to the European Court of Auditors in Luxembourg.

There maybe a telephone meeting relating to the strategic plan of IAASB in December, 2007.

#### 19. Any Other Business (Mr Gert Jönsson)

Presentations will be sent by e-mail to the participants.

Digital photo of each FAS-member is required in time for INCOSAI.

#### 20. Conclusions of the meeting by Mr Gert Jönsson

- Continue contacts w donors, including the European Commission
- PN for ISA 320 approved for exposure
- Fatal flaw changes and some additional corrections of the PNs were approved
- Quality assured translations of PNs will be sent to FAS for silent approval
- ISSAI 1000 revised and FAS secretariat given mandate to finalise the document for presentation at INCOSAI. FAS will review the document before it is sent to INCOSAI.
- ISSAI 1000 will be exposed together with the General Considerations, the Bridge and the Glossary in due time before 2010
- ISSAI format was approved
- FAS members were asked to brief their AGs before INCOSAI regarding the issue of a permanent structure for standard setting after 2010 to assure support for the PSC's proposal.
- FAS expressed continued support for the Compliance Audit Guidelines and the work of CAS and will offer assistance to CAS
- FAS Translation Policy and Procedures were revised and approved
- Key words – deadline for comments Sept 21 (Then sent to translators for finalisation in all languages)
- Recommendations for membership were approved. FAS will consider alternative forms of membership after 2007.
- ISA/PN on a page was given FAS' support.
- Next meeting in London 8-9 April 2008.