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Terms of Reference – INTOSAI Financial Audit Guidelines Subcommittee

Background

The INTOSAI Financial Audit Guidelines Subcommittee (FAS) was originally set up in 2002 as a working group under the INTOSAI Auditing Standards Committee in order to address the need for more detailed guidance for auditing than what is provided in the INTOSAI Auditing Standards by developing high quality guidelines that are globally accepted for financial audits in the public sector. Following the approval of the INTOSAI Strategic Plan and the reorganization of INTOSAI Committees into three goal areas, the working group became a subcommittee under the Professional Standards Committee in 2005, but its task remained the same.

Objective

The objective of the Financial Audit Guidelines Subcommittee is to develop high quality, globally accepted guidelines for the audit of financial statements in the public sector.

Strategy

The objective will be reached by making use of the best resources from the INTOSAI members and by leveraging the expertise and resources of the International Auditing and Assurance Standards Board (IAASB), an internationally respected auditing standards setting organization, in a strategic and cooperative partnership.

The Financial Audit Guidelines

The Financial Audit Guidelines will form in-depth guidance to the INTOSAI Fundamental Auditing Principles (formerly INTOSAI Auditing Standards). The Guidelines will be included in the fourth level of the ISSAI hierarchy of standards and guidelines. The Guidelines will not be compulsory for INTOSAI members, but will constitute an INTOSAI recommended approach to financial audit.

The Financial Audit Guidelines will consist of ISAs, issued by the IAASB, with public sector considerations contributed by a reference panel expert, and combined with Practice Notes, issued to each ISA, prepared by FAS and approved by the INTOSAI Governing Board. In

addition to these ISAs and Practice Notes, other guidelines may be developed and included in the Financial Audit Guidelines.

Each separate ISA and Practice Note (combined), and each separate INTOSAI Guideline, will constitute one ISSAI – International Standard of Supreme Audit Institutions. ISSAIs will be numbered in a manner corresponding to the numbering of ISAs.

Organisation

Membership

In accordance with the Terms of Reference of the INTOSAI Professional Standards Committee, the FAS membership should be limited to approximately 10 SAIs. Decisions regarding membership are made at the discretion of the Chair. The International Auditing and Assurance Standards Board (IAASB) are participant observers.

Each member SAI appoints a representative to the subcommittee. While these individuals act in their personal and professional capacity, they, to the best of their ability, represent the views of their SAI and act objectively in the best interest of INTOSAI. This, however, does not preclude a member SAI from expressing their official view on an ISSAI in a formal comment letter.

Sub-Committee Chair

The Swedish National Audit Office is the Chair of the INTOSAI Financial Audit Guidelines Subcommittee and the host of the FAS Secretariat.

FAS Secretariat

To provide support for the Chair and the subcommittee, a Project Director has been appointed. The Project Director and a combination of technical and administrative staff constitute the FAS Secretariat. The Project Director is appointed by, and reports to, the Chair of FAS, and is responsible for facilitating the project structure and co-operation process on behalf of the Chair of the FAS.

Reference Panel

The FAS Reference Panel consists of experts from INTOSAI's member organisations. The experts contribute their professional expertise and experience in a variety of task forces and working groups set up by FAS or by the IAASB.

Operations

The sub-committee and its processes are administered and managed in accordance with the INTOSAI Handbook for Committees and the FAS due process which is in line with the PSC due process.

The cooperation with the IAASB is regulated through a Memorandum of Understanding between the PSC and the IAASB, which is regularly reviewed and updated. The purpose of the Memorandum of Understanding is to establish a cooperation process that will enable INTOSAI to benefit from the work of the IAASB, and the IAASB to benefit from INTOSAI involvement in the development of the ISAs.

Mandate

FAS will contribute to the incorporation of public sector consideration into the International Standards on Audit (ISAs) developed by the IAASB by:

- Participating as members in IAASB task forces to write audit standards on current and future projects
- Writing comment letters on exposure drafts of ISAs where there was no INTOSAI input on the IAASB task force

FAS will provide guidance above and beyond what is provided in the ISA for public sector audits by:

- Drafting Practice Notes (PNs) for all ISAs in order to provide special considerations for the public sector
- Drafting additional guidance dealing with the specific requirements of the public sector which together with ISAs and PNs will form the INTOSAI Financial Audit Guidelines

Meetings

FAS meets at least twice a year to discuss the development of the INTOSAI Financial Audit Guidelines and related operational matters. Some meetings are physical, others are held via telephone.

FAS strives for consensus decisions. More than half the member SAIs need to be present to form a quorum.

Each member SAI has one vote. If a vote is called, more than half the member SAIs present is considered a majority vote and is sufficient to approve decisions.

Language

The working language of FAS is English. All meetings are conducted in English only and all written communication within or from the subcommittee is carried out in English.

Communication

FAS' communication shall be conducted in accordance with the FAS Communication Policy and Plan.

All information and communication within as well as from FAS shall be in line with the following core values and attitudes:

- Correct and understandable
- Easily accessible and well-structured
- Up-to-date, prompt and relevant
- Directed to the intended reader or recipient
- Made in a manner to assure trust and confidence in the FAS work

Funding

The major part of the budget of the subcommittee is carried by the participating SAIs. External funding is, however, needed for the Reference Panel meetings, task force work, translations and printing of the Financial Audit Guidelines etc.

The IAASB covers the cost of INTOSAI- as well as private sector experts participating in their task force meetings. FAS has also secured external funding through the World Bank and the Asian Development Bank.

External funding arrangements are agreed in accordance with the INTOSAI Framework for Dealing with External Funding Institutions as described in the Handbook for Committees.

Reporting

FAS will report to the PSC as described in the PSC Terms of Reference and as requested.

FAS will report to all its stakeholders on a quarterly basis through a Quarterly Performance Report, which is also published on the FAS website.

FAS will report to its providers of external funding as agreed.