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**Draft Minutes**  
**INTOSAI Financial Audit Guidelines Subcommittee**  
**Meeting in Seoul, 16-17 October, 2008**

**Participants:**

Mr Annie Leclerc	Canada
Mr Jesús Lazaro Cuenca	European Court of Auditors
Ms Alta Prinsloo	IFAC
Mr D.H. Eim	Republic of Korea
Mr Sang Hun Shin	Republic of Korea
Mr Fernando Cervantes-Flores	Mexico
Mr Goms Menette	Namibia
Ms Liezl Vanschalkwyk	Namibia
Ms Kelly Ånerud	Norway
Mr David Hughes	UK
Ms Gail Valieres	USA
Mr Gert Jönsson	Sweden (Chair)
Mr Jonas Hällström	Sweden
Ms Johanna Gårdmark	Sweden
Ms Camilla Brodén	Sweden

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

The Chair, Mr Gert Jönsson opened the meeting and expressed his thanks to the Korean Board of Audit and Inspection for excellent meeting arrangements. He also gave a special welcome to new FAS representative Mr Jan van Schalkwyk from South Africa and new FAS delegates Ms Annie Leclerc from Canada (replacing Mr Stuart Barr) and Mr Goms Menette from Namibia (replacing Ms Ridley Van Wyk).

**2. Approval of the agenda**

The agenda was approved with two minor changes.

**3. Approval of draft minutes from the FAS meeting in London (Mr Gert Jönsson)**

The minutes from the FAS meeting in London in April were approved after changes were made according to written comments received from Mr David Hughes (NAO) and Ms Kathleen Kerrigan (IAASB).

One additional change was made during the meeting, to point 3 regarding ISQC 1 – it should read: status of the quality project instead of status of ISQC1 (Ms Alta Prinsloo, IAASB).

#### 4. **Update on activities since previous meeting and plans for the future (Mr Jonas Hällström)**

The Special Expert Teams 1-4 have met and have successfully drafted Practice Notes according to plan. SET 5 will meet at the World Bank in Washington, DC in November. Experts have been invited to SET 6 and SET 7, but not all have been confirmed yet. Both SETs will take place in Stockholm in January, 2009. It is a tight schedule for the development work and it will be tight for the subcommittee as well.

Following experts are presently active on IAASB Task Forces: the Practice Note for ISA 620 – Mr Claudio Branco (Brazil), the Practice Note for ISA 402 – Ms Kelly Ånerud (Norway), the Practice Note for ISA 505 – Mr John O'Brian (Canada), and the Practice Note for ISA 265 – Mr Muhammad Bahjatt (Saudi Arabia).

Further activities during the period have been the World Bank evaluation which started in September, the drafting and discussions relating to FAS Beyond 2010, Terms of References and Due Process papers. A survey has been carried out among experts and back-office experts regarding FAS work processes.

Comments and suggestions from the subcommittee:

- Consider combining SET 6-7 to save time and resources, as they overlap time-wise (Kelly Ånerud).
- The SETs work very well. The IAASB can see the quality coming through clearly in the Practice Notes (Alta Prinsloo).
- A consistency review will be needed and the time this will require should not be underestimated. This must be done before the documents go to translation. This should be added to the time plan (Alta Prinsloo).
- What can FAS members do to dedicate the resources to make sure that we achieve this? If FAS can help in any way, I hope the secretariat will reach out to us (Gail Vallieres).
- Move approvals planned for the telephone meeting in mid-March to the physical meeting in mid-April (Alta Prinsloo).
- It may be worthwhile to ask FAS to preview the Practice Notes before the meeting and before exposure, as you will have missed one month already by moving the approval meeting to April (Gail Vallieres).

Ms Johanna Gårdmark presented the results of the survey carried out among experts and back-office experts.

**Conclusion:** The FAS secretariat will look into the possibilities of combining SETs 6 and 7 and moving the approval to a later meeting. Also, a consistency review will be added to the time plan. The FAS Secretariat will consider if/how FAS members can be more engaged in the drafting process to speed up the process. FAS members are encouraged to do the same and make suggestions to the Secretariat.

## 5. **IAASB update (Ms Alta Prinsloo)**

Ms Alta Prinsloo presented the IAASB work program for 2009. The IAASB will not issue any new ISAs in two years, but a lot of work will still be done.

The financial crisis has had an impact on fair value audit guidance and international standards are playing an important role now. It is hard to determine what audit quality means, the IAASB will develop their own framework to make it measurable.

The relationship between INTOSAI and the IAASB is going forward. It must however be continuously discussed and right now many changes are in the pipeline. The consistency in expertise around FAS has been good for the last five or so years. New people filling these positions may not know how much they must push on a daily basis to make things move forward.

Changes ahead:

- There will be a new IAASB chair.
- the INTOSAI public member on the IAASB Mr Kjell Larsson and his technical advisor Ms Kelly Ånerud are resigning
- IAASB technical staff supporting FAS will change (Ms Alta Prinsloo is leaving her position).
- Various reviews will take place. The findings of these will have impact on the future.

The scope of the relationship and different forms of cooperation between INTOSAI and the IAASB should be considered, though the link between the IAASB and FAS should be retained. As new areas of cooperation are considered and approved we should also consider what new structure – if any – is needed to manage the cooperation. There may not be a need for an organization and relationship the size of FAS for every project. Other alternative forms of cooperation should be discussed and considered.

**Conclusion:** Many changes will have impact on the relationship between INTOSAI and the IAASB in the near future. Emphasis should be put on how to handle the future cooperation and on the time needed for consistency reviews.

## 6. **Approval of Practice Note for ISA 200 for exposure (Mr Jonas Hällström)**

Written comments had been received from Canada and were distributed. The Practice Notes will be on exposure for three months as from 31 October. By the end of February the experts will have considered the comments received and the translations will begin. The final approval will take place at the April 2009 meeting in Luxembourg.

A short discussion took place regarding where compliance audit takes over from financial audit and whether a line has to be drawn. It was concluded that there will always be an overlap. All frameworks should state what they apply to, and for full regularity audits it should be advised to turn to the compliance audit guidelines. (Mr David Hughes and Mr Jonas Hällström).

P4 was redrafted by Mr Jan Van Scahlkwyk and Ms Kelly Ånerud and revised further following comments from Ms Gail Valieres, Mr Goms Menette and Mr Jesús Lazaro.

**Conclusion:** With changes made according to comments during the meeting the Practice Note for ISA 200 was approved for exposure.

7. **Approval of Practice Note for ISA 210 for exposure (Mr Jonas Hällström)**

A general note was made to check that the word "relevant" is used rather than "applicable" in P2 of each Practice Note, i.e. "ISA 210 (Redrafted) is *applicable* to auditors of public sector entities in their role as auditors of the financial statements."

The engagement letter was changed according to comments from the delegates from Namibia, USA, UK and Canada. The footnote in appendix 1 relating to references to standards used in the audit is to be kept as it is of great help to many SAIs. This aspect will also be further explained in ISSAI 1002 – General Considerations when Applying International Standards of Auditing (ISAs) in Public Sector.

**Conclusion:** The Practice Note for ISA 210 was approved for exposure with the changes made.

8. **Approval of Practice Note for ISA 240 for exposure (Mr Jonas Hällström)**

ECA was asked to comment on the exposure draft specifically relating to specific guidance for courts of accounts.

**Conclusion:** With changes made according to comments during the meeting the Practice Note for ISA 240 was approved for exposure.

9. **Approval of Practice Note for ISA 250 for exposure (Mr Jonas Hällström)**

**Conclusion:** The Practice Note for ISA 250 was approved for exposure with suggested minor changes in wording.

10. **Approval of Practice Note for ISA 500 for exposure (Mr Jonas Hällström)**

There were comments received regarding the relationship between FA guidelines and CA guidelines and whether consider is a strong enough word when referring auditors to "...*consider* INTOSAI Compliance Audit Guidelines in this regard." (P3)

Also it was suggested that P7-8 are deleted as they relate to compliance issues, with an explanatory paragraph or moved to the Practice Notes for ISA 315 or 330 (Ms Alta Prinsloo, Mr Jesús Lazaro and Mr David Hughes).

**Conclusion:** The Practice Note for ISA 500 was approved for exposure with an explanatory memorandum and changes according to comments given.

11. **Approval of Practice Note for ISA 550 for exposure (Mr Jonas Hällström)**

The Practice Note for ISA 550 has not been developed by a SET, but by Mr John Thorpe, NAO as a member of the IAASB task force. A first draft

was presented during the meeting in London in April and significant changes have been made since then.

The comments from the subcommittee concerned wording and consistency. (Ms Liezl Van Schalkwyk)

**Conclusion:** With the changes made the Practice Note for ISA 550 was approved for exposure.

12. **Approval of Practice Note for ISA 560 for exposure (Mr Jonas Hällström)**

**Conclusion:** The Practice Note for ISA 560 was approved for exposure with suggested minor changes in wording.

13. **Approval of Practice Note for ISA 570 for exposure (Mr Jonas Hällström)**

**Conclusion:** The Practice Note for ISA 570 was approved for exposure with suggested minor changes in wording.

14. **Approval of Practice Note for ISA 580 for exposure (Mr Jonas Hällström)**

**Conclusion:** The Practice Note for ISA 580 was approved for exposure with suggested minor changes in wording.

15. **Terms of Reference for FAS for approval and terms of reference for experts for information (Ms Johanna Gårdmark)**

A new Terms of Reference for FAS has been written as the old one was originally drafted for the Working Group on Financial Audit Guidelines under the INTOSAI Auditing Standards Committee in 2002 and had become obsolete. The new one will be approved at the PSC Steering Committee meeting in Beijing in October.

A discussion took place regarding "one member, one vote" and in what capacity the FAS members participate. The Terms of Reference was revised in accordance with the discussions, making it clear that FAS representatives act in their personal and professional capacity, while, to the best of their ability, representing the views of their SAI. In addition, they act objectively in the best interest of INTOSAI. It was furthermore clarified that this does not preclude a member SAI from expressing their official view on an ISSAI in a formal comment letter

**Conclusion:** FAS approved the ToR for the subcommittee with the changes agreed during the meeting. Comments on Terms of Reference for experts were requested by 24 October. They will then be posted on the FAS website.

16. **Restart of the Focus Group (Mr Jonas Hällström)**

Most of the members of the Focus Group have left their positions within their SAIs, only two members remain (Mr Filip Cassel, Sweden, and Mr Alfred Enoh, Cameroon). As the Clarity Project is coming to an end there are now new project proposals coming from the IAASB and it is

time to restart the Focus Group. The objectives and mandate of the group will be changed:

- They do not need to consider the scope of a Practice Note before starting to develop it.
- The aim is to comment on IAASB Exposure Drafts as early as possible.
- They will be drafting the comment letters on ISA exposure drafts from FAS in the future (for FAS' consideration first).

Mr Jan van Schalkwyk from South Africa has accepted to chair the group. It was proposed that the resources available in FAS are used in the group. The Focus Group could consist of a few FAS members only who would report at the FAS meetings (Ms Kelly Ånerud/Ms Gail Valieres).

The composition is important and we need to avoid the FAS Secretariat becoming a bottleneck. The FAS representative on the IAASB Consultative Advisory Group (CAG) should be included in the Focus Group, as should at least one representative from a Court of Account. (Mr Jonas Hällström)

From an IAASB point of view it is not how the group is put together that matters, the important thing is that it reacts on the proposals very fast. (Ms Alta Prinsloo)

**Conclusion:** The FAS Director will draft a new Terms of Reference for a Focus Group with close linkage to FAS membership that reports to the subcommittee. The FAS Director will staff the group.

#### 17. **Due Process for the PSC and FAS (Ms Johanna Gårdmark)**

Mr Jesús Lazáro Cuenca, Ms Kelly Ånerud and Ms Alta Prinsloo were thanked for having given substantial comments to the draft.

A discussion and comparison was made between the FAS Due Process and the PSC Due Process regarding the basic principles mentioned. In the FAS due process one of the principles is "credibility" and in the PSC due process there is reference to "consistency" but not to "credibility." It was commented as strange that the two due process documents are not consistent relating to basic principles. They should be aligned and the FAS members present at the PSC meeting will try to influence the working of the PSC Due Process accordingly.

Consistency does not necessarily mean credibility. Credibility is the important issue and consistency a means to achieving that.

It should be mentioned how much the IAASB participation helps in the work of FAS and also how INTOSAI strives to have a member on the IAASB. It should be made clear how important it is to the IAASB to have INTOSAI represented on the Board.

**Conclusion:** After rephrasing the paragraph Development of Proposed Guidelines regarding the attendance of IAASB in FAS and INTOSAI in the IAASB, the FAS Due Process was approved.

#### 18. **Presentation of discussion paper on suggestions for a new FAS organization after 2010 (Mr Gert Jönsson)**

A thorough background to the paper was given by the Chair. The suggestion from the FAS Chair and Secretariat is to have a permanent

technical staff to continue the work with the ISAs and Practice Notes and safeguard and deepen the relationship with the IAASB. It had been agreed between the PSC and FAS Chairs that a common paper for the PSC and FAS beyond 2010 would be presented in Beijing (FAS in an appendix). The papers have been exchanged and discussed, but no agreement has been reached. The PSC Chair has thus decided to present the PSC proposal without the FAS appendix during the PSC Steering Committee in Beijing 21-22 October.

The FAS chair had prepared the following principles on behalf of FAS to present at the upcoming PSC Steering Committee:

- FAS is carrying out its tasks fully in line with the prerequisites and work plan set out by the PSC and approved by the Governing Board and INCOSAI, as well as in accordance with the Memorandum of Understanding between the PSC and the IAASB.
- FAS' work has a long term perspective aiming at providing developed and harmonized standards and guidelines applicable to financial audit in all sectors of society. We are aiming at creating a comprehensive set of standards and guidelines as a basis for global implementation.
- The work follows a strategic approach set out already at the start of the project in 2002. Our work should levy on the work of the IAASB, thus exercising influence on the ISAs through IAASB task forces and when necessary publish Practice Notes to the ISAs, focusing on the specific public sector perspective. Practice Notes to ISAs, decided by INTOSAI, also give legitimacy of the ISAs in the INTOSAI context.
- There is a strong demand for financial audit standards and guidelines within the INTOSAI community expressed through surveys and in many other ways. The fact that those SAIs that are members of FAS has set aside vast resources for our common work, that there is a representation through experts from many SAIs in IAASB task forces and in FAS Practice Note Task Forces and SETs and that external parties contribute with complimentary funding are also examples that point to a great interest in this work and a strong demand for the outcome of it.
- The workload of FAS will probably be less during the next phase 2010-13 compared to the current phase of our work. However, there is still need for focusing on the maintenance and deepening of our cooperation with the IAASB, there will still be work to do on new and revised ISAs and Practice Notes and FAS will also have to meet expectations from other parts of INTOSAI when it comes to providing expertise for the work with implementation of standards and guidelines.
- All future development of Practice Notes must follow the FAS due process. There is no room for editing Practice Notes without following the due process.
- In order to enhance INTOSAI's capacity and credibility as a setter of standards and guidelines, also future work with ISAs and Practice Notes has to be supported by qualified experts in different capacities. Not least there is a need for a technical staff to support FAS. Such a technical team has to be at the hands of the Chair of FAS. It is necessary that the Chair of FAS after consultations with the subcommittee can exercise influence on the appointment of members to that team.

- A permanent technical team should be defined as a team where the members are appointed on professional merits. The funding of those resources should be guaranteed for a longer period of time, more than 3 years.
- It is also important that there is a strong link between the FAS Chair and technical team on the one hand and the the IAASB and its technical staff on the other.

In the discussion following the presentation of these principles, the FAS members stressed the importance of the close relationship with the IAASB and its technical staff. The close relationship with FAS, its Chair and Secretariat as well as the input from INTOSAI experts was stressed by Ms Prinsloo from the IAASB. Furthermore, the need for consistency in the work was underlined in order for INTOSAI to continue benefitting from the experiences made by FAS so far.

The FAS members also emphasized the importance of a dialogue with and support by the PSC in the continued work of FAS in order to build an organization able to safeguard the progress made so far as well as the secure professional and financial resources needed for the future.

**Conclusion:** FAS supported the basic principles to be read before the PSC Steering Committee in Beijing.

#### 19. **Funding Issues (Ms Johanna Gårdmark)**

Ms Johanna Gårdmark gave a summary of the funding status which has not changed since the meeting in London in April.

#### 20. **World Bank evaluation of PSC working procedures (Ms Johanna Gårdmark)**

The evaluator appointed by the World Bank is Mr Harry Wilkinson, former Director of Accounting Practice at the Audit Commission in London, United Kingdom. Mr Wilkinson is a qualified Chartered Accountant and member of the Chartered Institute of Public Finance and Accountancy (CIPFA), as well as member of CIPFA's Accounting and Audit Standards Panel (AASP). Further Mr Wilkinson is a former member of the UK Auditing Practices Board and its predecessor body, the Auditing Practices Committee, as well as the Accounting Standards Committee, as a public sector representative.

The evaluation will be carried out through the following means:

- Desk review of key documents.
  - On-going, including visit to FAS Secretariat 17-19 September.
- Review of a sample of World Bank-financed operations with public financial management components.
- Personal/Telephone/e-mail interviews with relevant staff.
  - On-going, including FAS Staff, PSC-, IAASB and World Bank representatives as well as FAS members and INTOSAI experts.
- Quality review of the development process.
  - On-going.
- Attendance at a FAS meeting etc.

- Tricky due to timing, but Mr Wilkinson may attend a telephone meeting later on this year.

The evaluation will be concluded in December 2008/January 2009.

**21. Coming meetings (Ms Camilla Brodén)**

During 2009 there will be (at least) two physical meetings and (at least) five telephone meetings. The first telephone meeting will be in December, 2008. The physical meetings will be:

- 21-22 April 2009; the European Court of Auditors will kindly host the meeting in Luxemburg.
- October 2009; the SAI of Mexico has kindly confirmed its willingness to host the FAS meeting.
- March/April 2010; the South African SAI has kindly confirmed its willingness to host the FAS meeting.

**22. Any Other Business (Mr Gert Jönsson)**

SAI Jordan has not turned up for the 5<sup>th</sup> meeting in a row. They have never attended a FAS meeting since they joined FAS in 2006. Following several reminders of the FAS membership principles, the FAS chair has no other option than excluding them from the membership list.

The possibility of considering welcoming new members was discussed. For the moment and in the short run it is important to keep to the ambition to have approximately ten members, in accordance with the PSC and FAS Terms of Reference.

**23. Conclusions of the meeting (Mr Gert Jönsson)**

The conclusions under each point were summarized by the Chair who also thanked all participants for their contributions.