

## Compliance Audit Subcommittee Meeting Bratislava 18-19 September 2008

### — Minutes —

#### 1. Opening of the meeting

The sixth meeting in the INTOSAI Compliance Audit Subcommittee (CAS) was held in Bratislava, Slovakia 17-18 September 2008. Mr. Jens Gunvaldsen from the Norwegian chair opened the meeting and thanked the Slovakian SAI for their kind hospitality and willingness to host the meeting. He welcomed subcommittee members from Brazil, Denmark, the European Court of Auditors, India, Lithuania, Namibia, Sweden, Tunisia, and Norway, and especially the new representatives from Brazil, ECA and Slovakia. Mr. Gunvaldsen gave a short introduction to the subcommittee's work and to the agenda of the meeting, emphasizing the aim of finalizing the various draft ISSAIs to be presented to the PSC and Governing Board meetings in October and November.

At the start of the second day of the meeting, the president of the Slovak SAI, Mr. Ján Jasovský, welcomed the CAS members to Bratislava. He said that the Slovak SAI was taking part in many INTOSAI committees and working groups, and emphasized the importance of developing standards and guidelines of high quality. For the first time, a special document on compliance audit is developed, which is a challenging and demanding task. Mr. Jasovský wished the CAS meeting a successful discussion. Mr. Gunvaldsen thanked the president for the Slovak SAI's kind hospitality and important contributions to the CAS work.

#### 2. Project status – developments since the last CAS meeting in Tunis in April 2008

Ms. Kelly Ånerud gave an overview of the project status and of the developments since the last CAS meeting. As informed upon in Tunis, the draft guidelines had been presented at the FAS meeting in London 9 April. All CAS members were subsequently informed and asked for comments by end of May on the proposed way forward and on three consistent and stand-alone ISSAIs 4000, 4100 and 4200. A complete set was to be exposed or re-exposed at the same time among all INTOSAI members, and presented for approval by the Governing Board in 2009 and endorsement by INCOSAI 2010. The need for an additional ISSAI 4300 on the court model should be considered.

The CAS chair had bilateral contact with CAS members on comments received and on issues raised in Tunis. The chair met with the PSC secretariat and got acceptance for the proposed way forward. As agreed upon in Tunis, CAS members from ECA, Denmark and Sweden had assisted the chair at a meeting in Oslo, with e-mail contributions from India, on the further development of the documents. Updated draft documents had been distributed to all CAS members and to FAS and CAREG (FAS' compliance audit reference group) with request for comments by 20 August.

The chair received comments from five SAIs. Further updated ISSAIs 4000-4200 were distributed to all CAS members prior to the meeting in Bratislava, together with a first draft of ISSAI 4300, developed by the Tunisian SAI in contact with other CAS members from court SAIs.

### 3. Presentation, discussion and approval for exposure of Draft ISSAI 4000 Compliance Audit Guidelines – An Introduction

Ms. Ånerud gave a short introduction to the draft and said that only some structural adjustments and editorial changes were made since the last meeting. The subcommittee approved of the draft.

### 4.-5. Presentation, discussion and approval for exposure of Draft ISSAI 4100 Compliance Audit Guidelines – for Audits Performed Separately from the Audit of Financial Statements – and of Revised Draft ISSAI 4200 Compliance Audit Guidelines – Compliance Audit Related to the Audit of Financial Statements, (previously ISSAI 4100)

Points 4 and 5 of the agenda were dealt with simultaneously since large parts of the text are common for ISSAIs 4100 and 4200. Ms. Ånerud gave an introduction to the discussion, and said that there were mainly editorial changes in the updated drafts, in addition to some changes based on input from the comments process prior to the meeting.

The subcommittee discussed and commented upon ISSAIs 4100 and 4200 on a general basis and paragraph to paragraph. Some minor changes were proposed and agreed upon, as in the description of the Court of Accounts system in paragraph 25/28 (ISSAIs 4100/4200), and in adding a definition of stakeholders in section 4. A proposal to move the definitions to ISSAI 4000 was not adopted, with reference to the earlier discussion on stand-alone documents.

The meeting discussed the use of the word "pervasive" in paragraph 167 in ISSAI 4100, which is not included in the corresponding paragraph 148 in ISSAI 4200, even if it is used in appendices 6 and 8 in ISSAI 4200. It was decided to consider necessary amendments in order to be consistent, while keeping "pervasive" related to a modified opinion as it is used in the ISA-terminology. "Pervasiveness" is an important threshold that could be discussed in the reporting section within the concept of materiality.

It was decided to remove the last sentence of paragraph 75 in ISSAI 4200.

The meeting emphasized that section 10 on Court of Accounts issues have to be considered after the discussion of ISSAI 4300, see below.

The subcommittee decided to keep ISSAIs 4100 and 4200 as separate and stand-alone documents. The issue might be raised in the exposure process, but if so CAS should present its reasons for separate and stand-alone documents in the exposure invitation.

It was decided to keep the ISA-references as they are.

### 6. Presentation of findings of the Court of Accounts working group on the potential need for ISSAI 4300 Compliance Audit Guidelines – Court of Accounts Model

Ms. Amel Elloumi Baoueb gave an introduction to a first draft ISSAI 4300, developed by the representatives of the Tunisian SAI. The subcommittee approved of the work done and of the constructive overview the draft gave of the particular court of accounts issues. Court SAIs have the power to exercise judgements and decisions over the accounts and over responsible persons, including accountants and administrators.

The meeting discussed how to incorporate the specific court of accounts issues in the ISSAI framework, whilst recognizing the wide range of particular processes and specificities between the various Court SAIs. The meeting developed a text on Additional General Guidance for Public Sector Auditors Operating in a Court of Accounts Environment, to be incorporated into ISSAIs 4100 and 4200, and replacing section 10 in the drafts dealt with in points 4 and 5 above. The new section 10 contains paragraphs on Performing audits in a Court of Accounts Environment, Communicating and enforcing the law, and Processes in various models of Court of Accounts.

Taking account of the wide range of particular processes and specificities between the various Court SAIs, the subcommittee decided that it was not appropriate to present a separate ISSAI on court of accounts issues to INCOSAI 2010. Nevertheless, the meeting recognized a need to go further into these issues. The CAS members from the Tunisian SAI were asked to consider the possibility of taking initiative to such an exploration, to be continued after 2010, and report back to the next CAS meeting.

#### 7. Exposure process of ISSAIs 4000, 4100 and 4200

The subcommittee decided to present the finally updated ISSAIs 4000-4200 to the PSC and Governing Board meetings in October and November 2008, with a subsequent exposure process within the INTOSAI community. The meeting was of the opinion that it should be described in the accompanying exposure letter why CAS has chosen to present separate stand-alone documents. The differences between ISSAI 4100 and ISSAI 4200, and why and how ISSAI 4200 is integrated with the FAS/ISA approach to audit of financial statements, should be explained.

It should be emphasized how the Court of Accounts model has been dealt with. Section 10 of ISSAIs 4100 and 4200 contain what can be generalized from the wide range of particular processes and specificities among Court SAIs, and it has not been thought appropriate to delve further into the differences.

The differences between the concepts of opinion and conclusion in the reporting sections of ISSAIs 4100 and 4200 should be explained

#### 8. Beyond 2010 – on the need for a permanent structure for the maintenance and updating of standards and guidelines in the future.

Ms. Erna Lea gave an introduction to a PSC proposal on the organisation of the PSC beyond 2010, including proposals for the continued work and responsibilities of the subcommittees. The proposals imply that both the PSC Steering Committee and the subcommittees will act as INTOSAI "boards" and approve any changes made to the ISSAIs. The subcommittees will be responsible for monitoring developments and initiate any required updating of the ISSAIs. The PSC Steering Committee and the subcommittees will be mandated to approve any conforming

changes in ISSAIs as a consequence of changes in the underlying ISA or in other ISSAIs. When there is a need to develop a new ISSAI or undertake comprehensive editing of a number of ISSAIs not linked to a subcommittee, a project may be established.

The meeting agreed to the proposals in the main, but saw a need to clarify some of the issues. The PSC should be more explicit on how to structure the subcommittees' work and on the cooperation with the PSC secretariat, in order to ensure consistency among the subcommittees. The meeting discussed whether the PSC secretariat would be better suited to fulfil the monitoring tasks and to initiate the required updating. The subcommittees themselves may be in a better position to fulfil the monitoring tasks and to initiate the required updating, however this is dependent upon any subcommittee chair/secretariat having the necessary technical competence and being proactive. The question of funding may also have impact on the future functioning of the subcommittee.

If CAS shall continue its work beyond 2010, the subcommittee should develop a three years plan covering the whole next INCOSAI period, prioritizing the tasks. The tasks may include information on the guidelines through attending seminars and conferences, and teaching assistance. The plan should deal with how to organize the monitoring, how to get feedback on the use of the guidelines and on the need for adjustments, and how to organize the updating of the guidelines.

#### 9. Due process in INTOSAI

Ms. Erna Lea gave an introduction to a proposal from PSC on due process for the development of ISSAIs and INTOSAI GOVs (Guidance for Good Governance). The purpose of the due process is to ensure transparency in the work performed by the subcommittees, and to ensure accountability, consistency and high quality. The meeting seconded the proposal and had no specific comments to the due process.

#### 10. Update of the INTOSAI Strategic Plan 2011-2016

The meeting discussed the update of the INTOSAI Strategic Plan for 2011-2016, but did not propose additions to the activities included in the plan.

#### 11. Preparation for the PSC meeting in October 2008

The subcommittees will report on their work since INCOSAI 2007, and CAS will present the finally updated ISSAIs 4000, 4100 and 4200 for approval by the PSC. The proposals on Beyond 2010, Due process, and Update of the INTOSAI Strategic Plan will be on the agenda, in addition to an update on INTOSAI donor fund, and IDI's use of the ISSAIs in capacity building in SAIs.

#### 12. Work Plan update as necessary

The updated Work Plan was approved with one amendment. The proposed CAS meeting in May-June 2009 was changed to a meeting in the smaller group that assisted the chair in updating the ISSAIs after the Tunis meeting.

PS:

After the meeting in Bratislava, the chair has been informed that the next meeting in the PSC Steering Committee will be held in June 2009. In order to be able to present the finally updated ISSAIs to PSC prior to the Steering Committee meeting, the CAS chair has made some additional changes in the Work Plan. The next CAS meeting is planned to be held at the end of March or beginning of April 2009, while the meeting in the smaller group is planned to be held in February/March.

13. Venue of the next CAS meeting

CAS welcomed the offer from the Swedish SAI to host the next meeting in Stockholm.

14. Any other business

The SAI of South Africa had expressed a wish to become member of the Compliance Audit Subcommittee. CAS welcomed South Africa as a new member.

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Bratislava  
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