"Around the world in 80 days" was a dream of modern worldwide communication and speed written by Jules Verne in 1873 to show how mankind would be able to move and communicate across the world with the modern technology of his time. Today we are able to communicate worldwide at the very same moment being connected through the modern technology of our time. You are able to read this newsletter only a few seconds after we press the "send" button from our office. And we are all connected through real time information with friends, colleagues and new agencies from all over the world.

In this online, real-time worldwide connectedness the development of professionalism needs a common language on a global level, as most of us communicate just as much outside as within our own countries. The common language is also a means to have a voice in the vast networks of communication flow around us.

Supreme Audit Institutions are crucial for the development of good governance, transparency and sound financial management in our countries. With the final endorsement of the ISSAIs on level 3 SAIs now have a common, global language to express our professionalism, both within the INTOSAI community and to external stakeholders. This language will be a driver of further professional development of public sector auditing in the years to come. And we should all as CAS members be proud of our effort in reaching this milestone.

In Norway we have many mountains. When having climbed to the top of one mountain, we will always be spotting new and higher peaks to conquer: In CAS our new peak to reach for is the development of the ISSAI 4000 series into "authoritative standards", as is now stated in the new Fundamental Principles of Public Sector Auditing. This will be the main task of the committee in the years to come.
To be able to reach the top of this mountain peak, we need the active contribution of all CAS members in order to find the language and professional solutions at standard level encompassing the audit processes of all SAIs. Hence, I am delighted to see the contribution of several CAS members in this newsletter. And I am happy to note that the courts are following the CAS processes up yet another hill in order to place their professionalism on the rightful place on the ISSAI stage.

When we meet in Brazil in September, we will be identifying the strategic direction of how to develop the ISSAI 4000 series and Compliance Audit as a public sector audit type in light of the common principles of public sector auditing. I invite all of you to start reflecting upon this and expect energetic and enlightening discussions in finding the way forward.

As the quality of the ISSAIs is improving, there is also a need to professionalize the support functions of ISSAI development. Hence, the Auditor General of Norway has decided to increase the resources allotted to the CAS secretariat for 2013–2016, and we will further on explore more sustainable organizational solutions for INTOSAI to remain a credible standard setter directing the professionalism of public sector auditing up new peaks, through new eras of communication and technology and into the future. I am happy that each and every one of you are with me in this committee and I look forward to seeing you in Brazil!

Harmonization project coming to an end

The main product of CAS before INCOSAI 2013 is the new ISSAI 400 *Fundamental Principles of Compliance Auditing*, which is one step forward in developing Compliance Audit as a public sector audit type defined within a standard. The new ISSAI 400 is the product of a common committee effort, where the CAS harmonization team - consisting of ECA, Slovakia and Norway - has represented the committee in the harmonization project of the PSC (Professional Standards Committee). The aim of the project has been to develop a new set of level 3 ISSAIs on a principle level so as to identify the common terminology of public sector auditing. The CAS harmonization team has also been heavily involved in the development of the new ISSAI 100 *Fundamental Principles of Public Sector Auditing*, to be serving as a common platform for all audits within INTOSAI onwards.

The new level 3 ISSAIs were on exposure in INTOSAI until the 15th of February, and the exposure comments showed extraordinary interest by the community: 47 comment letters and a total of 1216 recorded comments of substance have been handled by the harmonization project group, the ISSAIs have been redrafted accordingly and our committee had a last hearing on ISSAI 400 during one week in March. The new ISSAIs 100, 200, 300 and 400 were finalized at the last harmonization project group meeting in Chandigarh, India in April. The documents are now ready for approval in the PSC steering committee on the 18th-19th of June and for endorsement at INCOSAI in October.

The CAS Chair and secretariat would like to thank all committee members who have participated actively in committee discussions and hearings as crucial contributors for us to reach this final product.
Mona Paulsrud, CAS harmonization team, stone garden of Chandigarh, India. Niels Erik Brokopp of the European Court of Auditors is also to be spotted in the background.

News from CAS subgroup on Court of Accounts issues

ISSAI 4300: Do Audit Courts need a stand-alone Standard in compliance audit?

A SAI exercises its functions within a specific constitutional environment and by virtue of its mandate which ensures sufficient independence and powers to apply discretion in performing its duties.

In the community of INTOSAI, there are two main models of SAIs each of which is linked to a view of the role of the auditor in assessing the responsibility of public managers.

The first, entitle SAI with jurisdictional powers that allow them to judge public managers in the light of an audit process. With a different point of view, the alternative (Office model) does not allow SAI to judge but still entitle them with enforcement law procedures when unlawful acts are revealed.

These two models can be seen, to some extent, as contestable. However, they do have similarities at the level of audit process. This audit process is due to remain basically similar but some specific needs might be relevant to be put in evidence. Without a doubt, this need is best relevant in the compliance audit area.
This issue has been the starting point of the 4300 process. The current step is a redrafting work which is being done in order to take into account new requirements of the maintenance project, harmonisation project and last but not least the new structure of the ISSAI 400. In the meanwhile different activities have been executed in the framework of a sub-group created in 2009 and dedicated to the Court model compliance audit process.

This short paper considers whether developing a specific stand-alone standard of compliance audit in context of Court model is an adequate approach for implementing compliance audit standards perspective. The first section of the paper briefly describes the approach of the developing process of the ISSAI 4300. The paper then goes, in the second section, to the main issues that make the need of stand-alone standard still relevant.

Section 1: The approach and the developing process of the ISSAI 4300

As explained in the first draft of the ISSAI 4300, the main objective of the standard is to identify the key issues, trends, tolls and techniques, lessons learned and “best practices” in performing compliance audit in the context of SAIs organised as courts.

In addition a methodology and a work plan have been set out implemented within a sub-group composed of Tunisia as a leading representative, Brazil and the European Court of Auditors. Romania, and lately Portugal have joined the sub-group. They took part basically in redrafting process bringing a wider scope to the initial draft.

The work plan set out by the sub-group covered the flowing steps:

- Process of Diagnosing and tracing changes
- Identifying Cases to be compared
- The Classification of SAIs
- Setting out the typologies
- Identifying problems
- Formulating recommendations

The main task of the sub-group has been at different stages redrafting works which lead with the help of each member to make the initial draft more generic and more relevant.

The redrafting cycle have been done through e-mails and within meetings that have been hosted in Tunisia, Luxemburg and lately in Oslo.

In the matter of fact, CAS hosted a meeting of the Court subgroup in Oslo in January 2013 to discuss the further development of the ISSAI 4300 draft. The meeting also considered the new requirements for development of level 4 coming from the harmonization project and the need for specificity in requirements and restructuring of the ISSAI 4300 draft. The conclusion of the Oslo meeting was that the further process of incorporating the Court perspective into the standards must be an integrated part of the maintenance process of the ISSAI 4000 series and hence a separate ISSAI 4300 should not be presented at the present stage.

As a result, the CAS plans to put into discussion in the framework of the next meeting planned to be hosted by the Brazilian Court the two flowing possibilities:

1. Agree on the need of a separate ISSAI for courts model on the basis of a restructured new draft of 4300 that the Subgroup of the court of accounts will submit to the CAS, or
2. Agree on incorporating the Court of Accounts perspective into the standards of the ISSAI
series as long as the harmonization process would require to keep only one integrated and comprehensive standard for compliance audit.

Section 2: Main reasons for a stand-alone standard for Audit Court issues

As a Sum up of the main specifications highlighted in the ISSAI 4300 final draft, this paper tends not to cover the whole considerations but those which are considered to be basic.

Fundamental Principles of Compliance Audit provide an overview of the nature, the elements and the principles of Compliance Audit as conducted by SAIs worldwide. In Audit Courts those principles find all their meaning, requiring from the auditor acting as judge, when conducting his work, to maintain independence, objectivity and appropriate professional detachment, to comply with ethical requirements and to have the necessary skills, to exercise due professional care and to perform the audit in accordance with professional standards on quality control.

The Compliance Audit ISSAI series provide detailed information on the nature of Compliance Audit, its objectives and the principles to be applied in conducting it. In Audit Courts where auditors act as judges the audit process is globally performed as it is described in those guidelines. However, following the planning, performance and evidence gathering phases, additional and specific issues may be part of the “instruction” which objectives are to gather sufficient and appropriate evidence to provide proposals on the liability of the responsible person.

Compliance Audit is defined as the independent assessment of whether a particular subject matter is in compliance with established criteria. Compliance Audit is performed by obtaining assurance as to whether the activities, financial transactions and information are, in all material respects, in compliance with the authorities which govern them.

Principles related to the audit process requires determination of parties involved, legal basis, and identifying the subject matter, defined as the phenomenon to be measured or evaluated by applying criteria. The auditor acting as judge, in order to provide proposals on Liability, is appealed to identify the person(s) who may be held liable, to determine the fault or deficiency in collecting, using public funds and the exact time period for which he might be held liable with regard to prescription considerations.

The auditor acting as judge is required to exercise his professional judgment and skepticism to assess the degree of “presumed guiltiness” of the responsible person, regarding to different factors such as the way the responsibilities mentioned by the law or included in the public official’s job description were carried out, whether the public official’s non-compliance or unlawful act determined the identified loss, misuse or waste of public funds or goods, the possible liability exemption circumstances (force majeure, unforeseeable circumstances)...

Materiality considerations should be taken to ensure reasonable assurance and consider the possibility that inappropriate proposals may be made in relation to the liability of the responsible persons which may lead to the report being subject to an appeal. Sufficiency and appropriateness of the evidence gathered is part of the audit process, evidence obtained should be evaluated based on the concept of personal liability. This assessment is based on the professional judgment of the auditor acting as judge, but a public prosecutor service could be involved, verifying whether the evidence gathered on personal liability is sufficient and appropriate for prosecution, opening the process leading to a formal judgment.
Given those main specifications the sub group started since January 2013 redrafting the ISSAI 4300 in the perspective of harmonization project. The redrafting process which is due to get to the validation process (submitting first restructured document to the sub-group by the end of June 2013) started with the new structure ISSAI 400. This process is leading to some initial conclusions which are basically showing that specifications related to Court model are mature and consistent enough so that the need for a stand-alone standard is still relevant.

Undoubtedly, Audit Courts still need a stand-alone Standard in Compliance Audit.

Amel Elloumi Baouab
Mourad Bengassouma
Tunisian Court of Accounts

Exchange of experiences: Case Lithuania

Lithuania’s experience in implementing ISSAI 4000 series guidelines
by Aurelija Brukstute, CAS member of Lithuania

Compliance audit... Something new for the NAO of Lithuania?

At first sight compliance audit seemed extremely new for our institution. We were lucky to become a Compliance Audit Subcommittee member, participate in CAS work and contribute to the development of ISSAI guidance from the very beginning. Being a CAS member we have learned a lot about this new type of audit. And we realized that compliance audit is not an extremely new thing for us - for ourselves it was a surprise that actually by now we already do a lot of compliance audit elements in our financial and performance audits. When ISSAI 4000 series guidelines were approved by INCOSAI in 2010 the NAOL has taken measures for the implementation of the guidelines and their direct application in our audits:

- Initiated amendments to the legislation. These amendments provide that the NAOL will conduct audits directly according to international audit standards and ISSAI guidelines, also besides financial and performance audits the third type of audit – compliance audit – will be conducted;
- Translation of ISSAI 4000 series guidelines into Lithuanian;
- In the institution the working group, which was responsible for the finding gaps between the ISSAI guidelines and the methodology of our institution, was set up. The highly qualified, competent, experienced auditors were appointed to this working group. Moreover all financial auditors were involved into this process – every audit department organized forums and provided the results of discussions. Adjustments in the Financial Audit Manual were made according to the proposals provided by the working group;
- Staff training will be led – methodologists will present changes in the Office methodology and the use of international audit standards and ISSAI guidelines in practice.

So NAOL is ready and conducts compliance audit alongside with the audit of financial
The NAOL is responsible for evaluation of the use of the State Budget subsidies in municipalities as well as other monetary funds of the State and the State property in terms of compliance with legal acts. In 2012 the financing system of municipalities was changed – the State Budget subsidies are awarded to municipalities through the ministries that are appropriations managers. The NAOL created a new audit strategy for municipalities from 2012. It was decided to conduct compliance audit in municipalities according to ISSAI 4100. We carry out compliance audit as a separate type of audit for the first time. So it is challenging for us. This audit covers all 60 municipalities of Lithuania. Financial audit in municipalities is conducted by municipality controllers. Financial audit covers all transactions including use of the State Budget subsidies. That is why the cooperation with municipality controllers becomes very important for the NAOL. For this purpose the cooperation agreements with municipality control services were signed up. The main aim of those agreements is to avoid duplication of work, to harmonize audit strategies and to use each other work. Also the NAOL committed to provide recommendations on methodological issues. We see different practice in the work of municipality controllers – some of them evaluate compliance of transactions with legal acts during financial audits and some of them do not do it. By the law municipality controllers are obliged to conduct only financial and performance audits. The NAOL organize meetings with municipality controllers explaining importance of compliance audits and encourage initiating legislative changes which provide for compliance audits in the work of municipalities controllers. Also auditors of our Office participate in the training programs of municipality controllers - give lessons to them about the issues of compliance audit, share experience in this field.

Strategic goal of the NAOL is to promote accountability in the public sector, result and public needs oriented management, and progress in finance management and control systems. Our Office understands that for the achievement of this strategic goal compliance audit and implementation of compliance audit standards are very important in all of the public sector of Lithuania. Citizens and other users of audit reports should know if the State and Municipalities budged appropriations and property are used in compliance with legal acts, transactions and decisions are made in a transparent and efficient way. For us the main aim is the sound management in all public sector.
CAS secretariat growing

The development of CAS' work is reaching a significant milestone as ISSAI 400 is being endorsed by INCOSAI together with a full set of Principles for public sector auditing. These documents are creating a pathway forward for the Compliance Audit Guidelines also to be used by SAIs as authoritative standards. Developing the ISSAI 4000-series into authoritative standards is the strategic aim of CAS in the period of 2013–2016. Further on, the implementation activities related to the ISSAI is requiring more expertise and input from CAS. The Norwegian SAI has made the decision to increase the resources allotted to the CAS secretariat in order to handle professionally these challenges in the period of 2013–2016. Hence, we are happy to introduce Ingvild, who will be joining the CAS secretariat by the 1st of September:

"My name is Ingvild Gulbrandsen. I am 53 years, married and having four children, Ine (25 years), Jon Stian (22 years), Thomas (15 years) and Jørgen (12 years). I will start my work in CAS the 1st. of September 2013.

I have a long experience within the public sector, and these experiences have been useful in my work as a performance auditor (which I have been for 11 years at OAG Norway).

Besides working with projects in performance audit, I have had several international appointments through OAG. Lately, I have been responsible for developing and finishing a guideline in report writing in performance audit for the AFROSAI-E countries. After finishing the guideline, I was together with a colleague from the National Audit Office of Tanzania, responsible for a 3 days course (16 participants) discussing the guidelines and their implementation in the region.

I find working internationally very fruitful for my own professional development, and I have together with colleagues from other SAIs participated in peer reviews of the National Audit Office of Finland, the National Audit Office of Mongolia and the National Audit Office of Tanzania. In addition I have together with a colleague from OAG evaluated the administrative functions of the International Organization of Migration (IOM). Looking forward to working with you all!"
CAS meeting in Brazil in September

All CAS members have received the invitation from the Tribunal de Contas da União - TCU, Federal Court of Accounts of Brazil, to the CAS meeting in Brasília, Brazil on the 18th-19th of September 2013. We are delighted to be situated in the heart of Brazil when CAS is to make crucial strategic decisions for the future development of compliance auditing as a worldwide audit type in Supreme Audit Institutions. The main focus of the meeting is to define the maintenance strategy of CAS as for how to adopt and develop further the ISSAI 4000 series on the basis of the new level 3 ISSAIs.

As the implementation activities related to the ISSAIs are increasing in volume, there is a need for the standard setting committees of INTOSAI to provide further support to implementation. Therefore the CAS secretariat is offering a CAS expert training seminar prior to the meeting for CAS members interested in acting on behalf of the committee as CAS experts. We hope many committee members will take the opportunity to participate.

Information update

The CAS webpage has benefited from technical refreshment and you may enjoy the results here:

http://www.psc-intosai.org/subcommittees/compliance-audit-subcommittee/

July is the month when Norwegians are enjoying summer, and hence the CAS secretariat will be closed for summer holidays.