

**MINUTES OF THE MEETING
of the INTOSAI Subcommittee on Internal Control Standards
27-28 May 2014, Vilnius, Lithuania**

Participants:

Subcommittee Members:

1. Mrs Claudia Kroneder-Partisch, Head of the Department on Federal Administration Administrative Reform and Internal Control, Court of Audit, Austria
2. Mr Md Kamrul Alam, Director, Office of the Comptroller and Auditor General, Bangladesh
3. Mr Md Matiar Rahman, Director General, Office of the Comptroller and Auditor General, Bangladesh
4. Mr Ignace Desomer, President of the Court, Court of Audit, Belgium
5. Mr Robert Devos, Director of the President's Office, Court of Audit, Belgium
6. Mr Wim François, Deputy Director, Senior President's Office, Court of Audit, Belgium
7. Mr Walton Alencar Rodrigues, Minister, Federal Court of Accounts, Brazil
8. Mrs Maria Lúcia de Oliveira Feliciano de Lima, Advisor to the Secretariat of Applied Methods and Audit Support, Federal Court of Accounts, Brazil
9. Mr François-Roger Cazala, Audit Director, Cour des Comptes, France
10. Ms Giedrė Švedienė, Auditor General, National Audit Office, Lithuania
11. Ms Audronė Vaitkevičiūtė, Head of Audit Methodology Division, National Audit Office, Lithuania
12. Ms Kristina Navickienė, Principal Auditor, Audit Development Department, Audit Methodology Division, National Audit Office, Lithuania
13. Ms Lina Venckūnaitė-Barauskienė, Principal Auditor, Audit Development Department, Audit Methodology Division, National Audit Office, Lithuania
14. Mr Patrick Lubach, Audit Manager, Court of Audit, the Netherlands
15. Mr Paul Neelissen, Senior Auditor – Chartered Accountant, Court of Audit, the Netherlands
16. Mr Krzysztof Kwiatkowski, President, Supreme Audit Office, Poland
17. Mr Jacek Jezierski, Advisor to President, Supreme Audit Office, Poland
18. Mr Paweł Banaś, Advisor to President, Supreme Audit Office, Poland
19. Mr Mariusz Sujka, Acting Internal Auditor, Supreme Audit Office, Poland
20. Ms Maria Sieklucka, Senior Public Audit Expert, Supreme Audit Office, Poland
21. Ms Kamila Żyndul, Chief Expert International Relations, Supreme Audit Office, Poland
22. Ms Svetlana Mureşan, Public External Auditor, Court of Accounts, Romania
23. Mr Vladimir N. Volkov, Head of the Summary Inspection of Summary Department for Preliminary, Operative and Follow-up Control of Federal Budget, Accounts Chamber of the Russian Federation
24. Ms Anastasia V. Borodulina, Expert, Accounts Chamber of the Russian Federation
25. Mrs Zahira Ravat, Senior Manager, Audit Research and Development, Office of the Auditor General, South Africa
26. Ms Kristen Kociolek, Assistant Director, Government Accountability Office, USA



External Partners:

27. Ms Agnieszka Giebel, Director, Department of the Public Finance Sector Audit, Ministry of Finance, Poland
28. Ms Ingvild Gulbrandsen, Senior Adviser, Secretariat of the Compliance Audit Subcommittee, Office of the Auditor General of Norway
29. Ms Ishat Reza, Audit and Internal Control Portfolio Manager, OECD
30. Mr Jonas Vaitkevičius, Head of Internal Audit and Financial Control Methodology and Monitoring Division, Ministry of Finance, Lithuania
31. Ms Daina Vaivadienė, Chief Specialist of Internal Audit and Financial Control Methodology and Monitoring Division, Ministry of Finance, Lithuania
32. Ms Meila Česnauskienė, Deputy Head of Internal Audit and Financial Control Methodology and Monitoring Division, Ministry of Finance, Lithuania
33. Ms Inesa Šumskienė, Chief Officer of Internal Audit and Financial Control Methodology and Monitoring Division, Ministry of Finance, Lithuania
34. Mr Vincent Tophoff, Senior Technical Manager, PAIB, International Federation of Accountants

Day 1: Tuesday, 27 May 2014

The meeting was opened by Auditor General of Lithuania Giedrė Švedienė, who welcomed the participants and expressed her satisfaction with being the host of the meeting. In her opening speech, Auditor General stressed the importance of internal controls in the management of every institution. She also recalled the activities of the National Audit Office of Lithuania in the forum of the INTOSAI Professional Standards Committee.

After that, Krzysztof Kwiatkowski, President of the Supreme Audit Office of Poland – Chair of the Subcommittee on Internal Control Standards, thanked Auditor General for her hospitality and welcomed the participants. He also referred to the importance of internal controls and the Subcommittee that in May 2014 had the thirtieth anniversary of its establishment.

Later, Paweł Banaś from the SAI of Poland, the coordinator for the Subcommittee's works at the Subcommittee Chair, also welcomed the participants and briefly presented the meeting agenda and objectives.

The meeting was divided into five thematic sessions. During Session 1: *Reporting on the Subcommittee Activities*, information was presented on the Subcommittee's latest activities and involvements. Session 1 started with a presentation by Jacek Jezierski from the SAI of Poland on the activities of the Subcommittee to date.

After that, Paweł Banaś briefed the participants on the conclusions from the meeting of PSC Subcommittees' Chairs that took place at the beginning of April 2014 in Copenhagen (so called PSC Leadership Meeting) and that was dedicated to a discussion on the future of the INTOSAI's standard setting.

The next presentation, made by Jacek Jezierski, comprised information on the latest meeting of the Steering Committee of the PSC, held on 20-22 May 2014 in Bahrain. The presentation focused on the conclusions that influenced the works of the Internal Control Standards Subcommittee, namely the need to strengthen cooperation and coordination of works with the other structures of the PSC, which had been unanimously emphasised by the Steering Committee members.

Then a presentation followed on the workshop dedicated to internal control organised during the Young EUROSAI Yes Congress, held in November 2013 in Rotterdam. Maria Sieklucka from the SAI of Poland, who personally took part in the Congress, briefed the participants on the conclusions of the workshop.

The final part of Session 1 was dedicated to the research papers that had been developed on the basis of the two surveys prepared and distributed by the Subcommittee in 2012. The first survey was dedicated to risk management in the public sector, and the other – to reporting on internal control. The research papers developed on the basis of the results of the surveys contain the analyses of their results that indicate a need to revise INTOSAI GOV 9130 on risk management and INTOSAI GOV 9110 on reporting on internal control. Mariusz Sujka and Maria Sieklucka from the SAI of Poland presented the main conclusions of the research papers on risk management and on internal control reporting respectively, as well as the main ideas for the documents' revision they contain. This item was meant as an introduction to a more extensive discussion on these two revisions planned for Session 5 on the second day of the meeting.

Session 2 of the meeting: *Good Practices in Application of INTOSAI GOVs* was started with a presentation by President of the SAI of Belgium Ignace Desomer who discussed cooperation between various players in the public audit environment in his country, based on INTOSAI GOV 9150 on cooperation between SAIs and internal auditors in the public sector. The presentation was an attempt to answer three questions: (1) on why it is sound for SAIs and other audit institutions to work together; (2) on how the coordination is actually organised; and (3) on what the success factors are and which traps can be avoided. Cooperation is a way to increase the performance of the audit function within the public sector. In conclusions, President Desomer emphasised that his SAI does not treat other audit institutions as a threat and that cooperation is in the benefit of everyone, provided that everyone's specificity is respected and maximum transparency is kept.

The next presentation in Session 2 was delivered by Claudia Kroneder-Partisch from the SAI of Austria. She presented the draft document on auditing of internal control systems, developed in the SAI of Austria with a purpose to provide guidelines for performance audits and a practical support tool for audit teams, whose first applications in the pilot phase turned out very successful.

After that Svetlana Mureşan from the SAI of Romania presented the experience of the Romanian Court of Accounts in the application of INTOSAI GOVs on internal control which had been incorporated into the guidelines for the assessment of public entities internal control system, used by all external auditors in Romania. She also presented the concept of public internal control in Romania and national normative acts in the field. Svetlana Mureşan's presentation also discussed the relationship between public internal audit and public external audit in her country.

During the first part of Session 3: *Update form External Partners*, which started in the afternoon on the first day of the meeting, representatives of other subcommittees of the PSC presented the latest achievements and future plans of their structures. Zahira Ravat from the SAI of South Africa represented the Financial Audit Subcommittee (FAS) chaired by the SAI of the United Arab Emirates. Maria Lúcia de Oliveira Feliciano de Lima from the SAI of Brazil updated the participants on the activities and good practices of the Performance Audit Subcommittee (PAS), chaired by the SAI she represented. The third PSC update was on the activities of the Compliance Audit Subcommittee, (CAS) represented by Ingvild Gulbrandsen from the SAI of Norway – the CAS Chair. In her presentation, she also stressed the need for auditors to understand the control environment and the relevant internal controls with a view to considering whether they are likely to ensure compliance. The first part of Session 3 ended with a presentation by Wim François from the SAI of Belgium, who represented the Editorial Committee of EUROSAI and ECIIA (European Confederation of Institutes of Internal Auditors), composed of the SAIs of Belgium (Chair), Germany and Poland – to represent EUROSAI, and IIA Spain and IIA UK – to represent ECIIA, assisted by EUROSAI Secretariat General – the SAI of Spain. The presentation was on the document that the Editorial Committee developed, dedicated to cooperation of SAIs and internal auditors in the public sector, taking into account the implementation of INTOSAI GOV 9150 on the European level. The conclusions of the document can be used in the assessment of the need to revise INTOSAI GOV 9150 that the Subcommittee on Internal Control Standards is supposed to make by 2016, in accordance with its present work plan.

In the second part of Session 3, Vincent Tophoff from IFAC delivered a presentation dedicated to the document entitled *Good Governance in the Public Sector* that had been developed by IFAC and CIPFA (Chartered Institute of Public Finance and Accountancy), available at the following link: [International Framework: Good Governance in the Public Sector](#). The document provides an international framework for good governance tailored especially to the needs of the public sector. The Subcommittee on Internal Control Standards found the document related to the scope of its works, so its members commented on it in September 2013. In his presentation, Vincent Tophoff discussed the steps taken in the process of elaborating the document that sometimes had been challenging, because an international framework should be at a sufficiently high level to bridge regional and cultural differences. Vincent Tophoff finished his presentation with ensuring the participants that his organisation would be pleased to continue cooperation with INTOSAI and the Subcommittee.

The last presentation within Session 3, which was also the last presentation on the first day of the meeting, was a short update on the achievements of COSO. It was delivered by representatives of the Subcommittee Chair on behalf of COSO Chairman Robert B. Hirth, Jr. who could not personally attend the meeting. The materials provided by Robert B. Hirth were distributed among the participants together with the letter he had prepared for the Subcommittee members explaining his absence and appreciating the Subcommittee's interest in COSO's developments.

After that Paweł Banaś thanked the participants and announced the end of the first day of the meeting.

Day 2: Wednesday, 28 May 2014

The second day of the meeting started with a short summary of the first day, after which Session 4 began entitled *Good Governance – How SAIs Influence Good Governance in the Public Administration*. This session started with a presentation by Ishat Reza from the OECD on its study on the role of Supreme Audit Institutions for enhancing good governance. It is a multi-year programme – for the years 2013-2016, sponsored by Brazil's Tribunal de Contas da União, in which twelve audit institutions from five continents are involved (Canada, Chile, the European Court of Auditors, France, India, Korea, Mexico, the Netherlands, Poland, Portugal, the United States, and South Africa). The main question the project attempts to answer is how the work of SAIs can evolve to have a greater impact on good governance. As internal control is one of the areas of the study, opportunities for cooperation between the OECD and the Subcommittee should be identified and explored. During the discussion that followed the presentation, it was observed that the role of SAIs cannot be underestimated as citizens usually tend to trust in SAIs more than in governments. At the same time, it was stressed that SAIs should try to explain why it is so, and have a role in adding to citizens' trust in governments. It was also observed, though, that the consultative/advisory role of SAIs should be approached with caution, being a fragile area.

The next presenter was Jonas Vaitkevičius from the Ministry of Finance of Lithuania who discussed the public sector internal audit in Lithuania – how it is set out in the legislation and how its system is organised. The presentation was also dedicated to the cooperation between the SAI and internal audit units in the public sector in his country. During the discussion that followed, it was noted that it might be important for the Subcommittee to invite a representation of the DG Budget to participate in its works. Again, a question arose about how SAIs and internal audit units in the public sector should mutually use the work of each other.

After that, Daina Vaivadienė from the Ministry of Finance of Lithuania delivered a presentation on public sector financial control in Lithuania, which is part of internal control. She discussed the legislation in the area, including the requirements that these two types of control must meet. The presentation showed that the main principles of INTOSAI GOVs on internal control are used by her institution, and they will be used more in the future once the new guidelines in the area are ready, being developed at present, that may include questions on internal control systems in financial control reports.

The fourth presentation within Session 4 was made by Agnieszka Giebel from the Ministry of Finance of Poland, and it was dedicated to Polish experience and perspectives of using INTOSAI standards and guidelines. She started with a description of the public internal control system in Poland and the role of the Central Harmonisation Unit in this system that consists in providing standards. She stressed, however, that the status of standards raises many questions, as in Poland people are used to operating on the basis of the binding laws rather than standards. Agnieszka Giebel also referred to the Polish experience in the field of cooperation of the Ministry of Finance with the SAI which can be true of the situation in other countries. She emphasised that the SAI is an important partner for the Ministry, and that their cooperation should focus on promotion of internal control. She also stressed that there is a need for cooperation between internal auditors and external auditors, who have different roles to play but share a common goal. Moreover, SAIs should be the most important

supporter of the guidelines, and they should provide their uniformed interpretation, and hints as for their practical application.

After that, a presentation followed delivered by Maria Lúcia de Oliveira Feliciano de Lima from the SAI of Brazil on governance initiatives at her SAI. She started with a brief description of the situation in her country where huge inequalities, observed within one city even, make the efforts to increase economic growth a real challenge. In such circumstances, good governance and management of resources are needed, and the SAI of Brazil attempts to help to assess the management of resources and to use them better. To this end, the components of governance mechanisms have been identified as well as governance framework for public organisation, policy and programmes. Maria Lúcia de Lima also discussed a survey on IT governance in the federal public administration, whose aim was to gather information on the IT governance situation, to identify the main systems and databases, as well as to identify the areas where the SAI of Brazil can take steps to enhance IT governance. The idea is to repeat the survey every two years to see if progress is made. So far the survey was conducted twice in 2010 and in 2012, and progress was observed. Maria Lúcia also presented the results of an assessment conducted by her SAI about risk management maturity in indirect public administration.

The next presentation was made by François-Roger Cazala from the SAI of France, entitled *The French Cour des Comptes and Governance Issues: a Work in Progress*. He emphasised that sound governance in the public sector is a priority area in the Court's strategic planning, and listed the types of governance obligations that the Court examines in the case of state-owned companies (e.g. lines of reporting and accountability between the management and the board, the roles and responsibilities of the board members, and the existence and functioning of auxiliary bodies). He also listed governance items examined during his SAI's audits, such as, e.g. the compliance with the legal framework regarding governance, the existence of internal governance procedures, the composition of the board and the roles of its members, the frequency of meetings, the quality of minutes or the recruitment procedures for senior management. He stressed, however, that it is not always easy to assess these items, because there are no obvious criteria to assess, for instance, the quality of meeting minutes. François-Roger Cazala also emphasised the need for board members to be involved, as a basic element of good governance. At the same time, he observed that SAIs can identify standards for agencies, but it is hard to do it in case of ministries that usually are very powerful. At the end of his presentation, François-Roger Cazala once again remarked that his SAI's approach to governance issues was still in progress and therefore it could not be assessed yet as for its effectiveness.

In the discussion that followed, Patrick Lubach from the SAI of the Netherlands observed that the role of central ministries in good governance is perceived as very important, and that internal control in ministries is assessed during their audits every year. Also, internal control is an element audited during their performance audits when they do not audit ministries as a whole but specific issues or policies.

The next presentation within Session 4 was made by Zahira Ravat from the SAI of South Africa. She discussed the combined assurance model – composed of three levels of assurance – that is followed in her country. At each level, entities were listed and their responsibilities with regard to internal

control. She also presented the key institutions in her country that are of vital importance to good governance and that share information mutually with a view to increase good governance. The Office of Auditor General of South Africa is one of them, and striving for governance – as a means for strengthening the country’s democracy – is clearly set out in the Office’s mission.

Another presentation dedicated to individual SAIs’ efforts to strengthen good governance was delivered by Kristen Kocielek from the SAI of the United States – GAO, who presented the revision to the *Standards for Internal Control in the Federal Government* (so called Green Book), published for the first time in 1983. The final version of the revised Green Book should be published in summer 2014. The book is written for the government, reflecting federal internal control standards. It leverages the COSO Framework, adopted for the government reality, with the use of government terms, and it may also provide a framework for internal control at the state and local government level. In her presentation, Kristen Kocielek listed the main changes that would be introduced in the revised version of the Green Book, as well as the timeline for the revision. She also discussed the layout of the guideline, and the way that internal control components, principles and attributes have been structured.

In the discussion that followed, a possibility was considered to use the Green Book in the Subcommittee’s works.

The last presentation within Session 4 was delivered by Vladimir N. Volkov from the Accounts Chamber of the Russian Federation. He started with a description of the status of his institution, its basic tasks and the principles that must be applied in auditing. He also presented the communication of his office that provides an opportunity to influence good governance in the public administration, including its specific forms, and statistics on the materials that the SAI of the Russian Federation submitted in 2013. His presentation also contained the basic mechanisms of informing the public opinion on the activities of his institution.

After that, the final session of the meeting followed – Session 5 – dedicated to the discussion on the Subcommittee’s work plan for the years 2014-2016 and its implementation. The members of the Subcommittee were asked to consider which tasks of the plan they would like to commit themselves to implement.

For the implementation of the first task, which is to draft revised INTOSAI GOV 9110 on internal control reporting, on the basis of the results of the survey conducted in 2012, the following SAIs volunteered: South Africa, Russia and Poland. The SAI of Lithuania that coordinated the development of the survey on internal control reporting, declared their involvement in the implementation of the task but starting from the second half of 2015, due to other commitments. A decision on the leadership of the task should be taken within the next weeks, once individual SAIs analyse the timeline of the task implementation and consider their possibilities for involvement.

As for the implementation of the second task, which is to draft the revised guidelines on risk management – INTOSAI GOV 9130, on the basis of the results of the survey conducted in 2012, the following SAIs volunteered: Austria, France, Poland and Romania.

The third task of the Subcommittee for the coming years is to examine INTOSAI GOVs 9100, 9120, 9140 and 9150 and to present a proposal on their revision in the following years. It was agreed that at the next Subcommittee meeting in 2015 a discussion would be held on the suggested ways of conducting an initial assessment on the need to review the documents, while at the Subcommittee meeting in 2016 – the results of the initial assessment would be presented, followed by a decision on the potential revision of the documents, to be reflected in the Subcommittee work plan for 2016-2019.

The following SAIs volunteered to participate in the review process:

- INTOSAI GOV 9100 – Lithuania, Poland, Russia,
- INTOSAI GOV 9120 – Lithuania, Poland,
- INTOSAI GOV 9140 – the Netherlands, Belgium,
- INTOSAI GOV 9150 – the Netherlands, Belgium.

In the discussion that followed, the following remarks were made:

- The Subcommittee should focus on supporting good governance in the public administration with the use of INTOSAI GOVs,
- To consider whether INTOSAI GOV 9100 and 9130 should take into account, among others, GAO's Green Book,
- To consider a possibility to include guidance on internal control statements in INTOSAI GOV 9110,
- The need to be in touch with The IIA in the process of review/revision of INTOSAI GOVs 9140 and 9150,
- The need to remember about the perspective of the auditees in the documents; to speak the language that is at the same time plain and precise, and to expose the benefits of efficient internal controls, taking into account, *inter alia*, the size of the organisation,
- To do a search on ideas for the Subcommittee's e-platform, e.g. explanative presentation of INTOSAI GOVs' content and ideas, to make it more accessible for mobile devices etc.

The discussion concluded with a need to develop a time frame for the implementation of individual tasks – the Subcommittee Chair declared to prepare and distribute the time frame over the next weeks for the Members' comment.

After the discussion, the Chair and participants thanked the SAI of Lithuania for the perfect organisation of the meeting and for the nice atmosphere.

The meeting was dissolved.