INTOSAI

PSC Financial Audit Guidelines Subcommittee

Quarterly Performance Report

Period: Q1 2007

The Financial Audit Guidelines Subcommittee, chaired by Riksrevisionen (the Swedish National Audit Office)
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The INTOSAI Financial Audit Guidelines Subcommittee (FAS) develops guidelines for global use in public sector financial audits. The guidelines are based on the globally accepted International Standards of Auditing (ISA) developed by the IAASB (an internationally respected auditing standards setting organization). The objective is to develop high quality guidelines that are globally accepted for the audit of financial statements in the public sector, by making use of the best resources from the INTOSAI members and by leveraging the expertise and resources of the IAASB for a strategic and cooperative partnership.

FAS incorporates public sector considerations into ISAs by participating as members in IAASB task forces to write audit standards on current and future projects and by writing comment letters on exposure drafts of ISAs where there was no INTOSAI input on the IAASB task force.

Activities during the period

We are pleased to announce that FAS has issued nine new PNs for exposure during March 2007. The experts engaged in developing these PNs have done an excellent job in preparing the guidance for approval by FAS. The following PNs have been exposed: PN 220, PN 260, PN 300, PN 315, PN 320, PN 330, PN 450, PN 800 and PN 805. In addition to these we hope to finalize PN to ISQC1 and PN to ISA 320 within short.
Apart from working on the above mentioned draft PNs, the Project Secretariat has also drafted an introduction to the Financial Audit Guidelines. This document, that will form a part of the guidelines, will be discussed within FAS and PSC before it is issued. It will provide an introduction to the guidelines including background, authority, structure, development process. It will be presented as a draft later on this year.

There have been some changes within the Secretariat during this period. *Ms Johanna Gårdmark* will for the coming year act as Deputy Project Director, during Ms Eva Eriksson's absence. *Ms Carin Rytoft Drangel* is a new member of the Secretariat and she will replace Ms Maria Östman, who is leaving the Swedish National Audit Office. Mr Henrik Söderhielm will have other responsibilities within the Swedish National Audit Office and will leave the FAS work.You will find all updated contact details on the website.

Meetings

In Q1 2007 FAS has had one telephone conference, which took place in January. This was aimed to have the subcommittee's approval of nine PNs. It was also the first meeting for the new subcommittee member, the SAI of Jordan. The meeting discussed the PNs to ISA 260, 300, 315, 320, 330, 450, 600, 800 and PN 805.
The PNs to ISAs 220, 320, 600 and ISQC1 were found to require some further work by the experts and the approval by FAS was postponed. The meeting further discussed INTOSAI's comments on the suggested IAASB priorities, as well as the draft classification system for INTOSAI standards as suggested by the INTOSAI Professional Standards Committee.
To follow up on the comments given by the subcommittee on the PNs not approved at the January meeting, two additional telephone meetings were scheduled for February and March.

All experts and FAS subcommittee members put in a lot of time and expertise on this project during this intensive phase, for which they all should have credit.

The next physical FAS meeting will be hosted by the Office of the Auditor General in Ottawa, Canada, on 18-19 June, 2007.

FAS also provides guidance above and beyond what is provided in the ISA for public sector audits by drafting practice notes (PN) for all ISAs in order to provide special considerations for the public sector and drafting additional guidance to deal with the special needs of the public sector which together with ISAs and PNs will form the INTOSAI Financial Audit Guidelines.

PNs will be approved by the INTOSAI Governing Board and endorsed by the INCOSAI. Supreme Audit Institutions can use the guidelines after approval by the INTOSAI Governing Board.

The Financial Audit Guidelines will be presented at the 2010 INCOSAI

The subcommittee is assisted by the Project Secretariat at the Swedish National Audit Office.

New Experts and Task Forces

During Q1 of each year, nomination letters are sent to all Supreme Audit Institutions with a call for new expert nominations to the FAS reference panel. A special request has been sent to SAIs of Court of Account systems, as FAS is in urgent need of their specific expertise. The very positive response from the SAIs have be filed and new potential experts and back-office experts have been identified to be engaged mainly in the work of drafting a range of different PNs.

The Project Secretariat works on putting together Practice Note task forces and SWAT-teams that will meet during the spring of 2007 to finalize sets of PNs. We expect to engage approximately ten more experts or back-office experts during 2007.

The Financial Audit Guidelines will consist of:

- An introduction to the INTOSAI Financial Audit Guidelines, including purpose, background, authority, development process, and relation to other regulations and standard setting bodies,
- A bridge, linking the INTOSAI Auditing standards with the International Standards on Auditing issued by IAASB,
- General considerations for the public sector, relating to the application of ISAs,
- ISAs, issued by IAASB, with public sector considerations contributed by a reference panel expert,
- PNs, issued to each ISA, prepared by FAS, approved by the INTOSAI Governing Board and endorsed by INCOSAI, and
- Additional guidance for the special needs of the public sector beyond the scope of ISAs.

New Exposure Drafts

All stakeholders and Supreme Audit Institutions – especially those of Court of Account systems - are encouraged to visit FAS' website to give comments on the presently exposed Practice Notes.

These are dealing with risks, special reports, summarized financial statements, communication and the quality control standards.

The exposure period will close in the end of May.

Timetable and work plan

The Project Secretariat is working on an update of the timetable, to be approved by FAS at the upcoming meeting in Ottawa in June.

The present timetable, work plan and appendices are available on the FAS website.

Please visit us on http://psc.rigsrevisionen.dk/fas and do not hesitate to give your input or comments on the website, just send an e-mail to projectsecretariat@riksrevisionen.se.

Funding Issues

There are no major changes to report concerning the financing situation of FAS. The project now lacks external funds by approximately 625 000 USD during the three year period of 2004-2007.

The World Bank and the Asian Development Bank provide general support and the IAASB generously supports the project.

The World Bank, still expressing its full support to the project, has unfortunately decreased their annual support by 25% (from USD 100 000 to USD 75 000). This of course makes FAS' striving for new sources of funding even more challenging.

IAASB Task Forces with participation of INTOSAI Experts

Finalized Task Force work

- ISA 230, Documentation
- ISA 260, Communication with those charged with governance
- ISA 800(701,800), Auditor's report on special purpose audit engagements and summarized finacial statemetns

On-going participation

- ISA 402, Using Service Organizations
- ISA 505, External Confirmation
- ISA 550, Related Parties
- ISA 580, Management Representation
- ISA 620, Using the work of an expert
- ISA XXX, The Auditors response to Material Weaknesses in Internal Control

INTOSAI experts and back-office experts are listed in appendix 1.

Practice Note Task Forces

- PN TF 1, ISQC1 and ISA 220
- PN TF 240, ISA 240

INTOSAI experts and back-office experts are listed in appendix 2.

SWAT team

- SWAT 1; PNs to ISA 300,315,320,330 and 450.

You are welcomed to contact the Project Secretariat if there is anything that is unclear or if you would like additional information on any issue. The best way to reach us is by e-mail (projectsecretariat@riksrevisionen.se) or by fax: +46-8-5171 4111. All our individual contact information is available on the website.

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