



Activities during the period

We are pleased to announce that the first Practice Note, the *PN to ISA 230 - Audit Documentation* has been approved by the INTOSAI Governing Board in Mexico City, October last year. This is a milestone for the work of the Financial Audit Guidelines Subcommittee (FAS) and a positive trigger to finalize the remaining eleven practice notes. FAS' goal is to have 12 PNs ready for endorsement at the INCOSAI in Mexico City in November 2007. The experts of FAS have over the last few months had an intense period of drafting practice notes (see point 4). To speed up the working process, a "SWAT-team" was put together to work intensively on a group of PNs during one week. The team consisting of experts from the United States, Canada, Norway and Sweden met in Stockholm in December. This new method of working in a focused way on a set of PN drafts proved to be very successful. The plan is to continue using "SWAT-teams" when it comes to the work on other PNs too. It is without doubt the fastest and most efficient way forward. During this period the Project Secretariat has also worked intensively to draft the Introduction to the Financial Audit Guidelines. This document will provide an introduction to the guidelines including background, authority, structure, development process. It will be presented as a draft during 2007.

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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.

Meetings

FAS has not had any physical meetings or telephone conferences during Q4 2006.

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.

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 Experts and Task Forces

In the beginning of each year letters are sent to all Supreme Audit Institutions worldwide, with a call to nominate their most skilled experts in financial auditing. This has over time given the FAS Project Secretariat a CV register comprising of 150 nominated experts and back-office experts from 70 countries available for FAS work.

The next round of nomination letters will be sent out in the first quarter of 2007.

The Project Secretariat works on putting together SWAT-teams to meet during the spring of 2007, to finalize sets of PNs, the way it was done in December.

New Exposure Drafts

Exposure Draft PNs on the ISAs dealing with risks, on the ISA on special reports, on the ISA on summarized financial statements, on the ISA on communication as well as PN on the quality control standards have been written by FAS experts. These are presently exposed on FAS website and the exposure period will close in the end of May.

All Supreme Audit Institutions - especially those of Court of Account systems - and other stakeholders are encouraged to visit FAS' website and to give comments on these PNs.

Timetable and work plan

FAS has mainly due to the IAASBs clarity project had to change its goal from 14 Practice Notes for endorsement by the INCOSAI in November, 2007, to 12 Practice Notes. For this reason a new Time table and work plan have been drafted by the Project Secretariat and will be on the agenda for approval by FAS in Ottawa in June. The overall goal for 2010 - to have a complete set of guidance - remains.

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 still lacks external funds by approximately 600 000 USD during the three year period of 2004-2007. The task of seeking additional ways of funding is very important for the Project Secretariat.

Currently, the World Bank and the Asian Development Bank provide general support and the IAASB supports the project by providing expertise to our work as well as funding the INTOSAI experts' travel and accommodation costs when participating in IAASB task force meetings.

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.

Jonas Hällström

Project Director of the
Financial Audit Guidelines Subcommittee

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 financial statements

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.

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