



Date: May 26, 2011

Ref no: 14-2010-1562

Financial Audit Subcommittee (FAS) Progress Report

PSC Steering Committee meeting

Wellington, June 2011

Progress to date

In accordance with the 2007-2010 work plan, the INTOSAI Financial Audit Subcommittee (FAS) presented a comprehensive set of ISSAIs for Financial Audit for endorsement by the 2010 INTOSAI Congress.

FAS has 11 members: Sweden (chair), Cameroon, Canada, European Court of Auditors, Korea, Mexico, Namibia, Norway, South Africa, United Kingdom and USA. The IAASB is observer member.

Since the last PSC Steering Committee meeting in June 2010, FAS has had one meeting in Sandhamn, Sweden in September 2010.

The FAS chair has initiated a review of the subcommittee composition and working procedures, as a result of the change in tasks the coming three year period.

The FAS work plan for the period 2011-2013 builds on the main tasks identified by the PSC Steering Committee during 2010;

1. Maintain and continue to develop the ISSAIs on Financial Audit
2. Create awareness for the standards and guidelines and contribute with expert knowledge on the guidelines, relating to implementation efforts, and
3. Contribute to the consistency in the ISSAI framework

And includes three additional tasks identified by FAS:

4. Explore the advantages and possibilities of including other standards issued by the IAASB as part of the INTOSAI Financial Audit Guidelines, and

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5. Summarize lessons learnt throughout the process, with the hope that the conclusions will contribute to further improvements of our own work as well as be a valuable resource to other INTOSAI bodies.
6. Monitor implementation of the guidelines among INTOSAI members.

Not all of these activities will be initiated during 2011.

1. Maintain and continue to develop the ISSAIs on Financial Audit

Development of ISSAIs

FAS will, with the assistance of INTOSAI experts, continue to contribute to the development of the International Standards on Audit (ISA) and to draft corresponding Practice Notes to ensure that INTOSAI members will continue to have access to up to date Financial Audit Guidelines. During 2011 there are two on-going ISA Task Forces;

- Revision of ISA 610- Using the Work of Internal Auditors. INTOSAI is represented by an expert from the SAI of Canada, assisted by experts from South Africa and USA. The revised ISA is scheduled to be approved in December, 2011, and the experts will present an updated Practice Note during 2012.
- Revision of ISA 720 - The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. INTOSAI is represented by an expert from the SAI of Sweden, assisted by experts from Estonia and the United Kingdom (Scotland). The revised ISA is scheduled to be approved during 2012, and the experts will present an updated Practice Note during 2013.

FAS will carefully consider the need and relevance of nominating INTOSAI experts for new revision or development initiatives within the IAASB.

Cooperation with the IAASB

The FAS Chair, Mr. Gert Jönsson, is a public member of the IAASB 2010-2012. Mr. Jönsson is assisted by FAS Director Mr. Jonas Hällström as technical advisor at the board. The FAS Chair and secretariat have consulted with INTOSAI members on several occasions related to drafts, or consultation papers issued by the IAASB, and will continue to do so as and when needed.

2. Create awareness for the standards and guidelines and contribute with expert knowledge on the guidelines, relating to implementation efforts

To assist in the PSC task of raising awareness of the ISSAIs as a whole and of the INTOSAI Financial Audit Guidelines as one major part of these, FAS has both participated in PSC awareness raising activities, and taken own initiatives.

FAS is involved in the work of the PSC Awareness Raising Project team and is represented by Sweden and Namibia in this group. FAS has been given the task to develop a power point presentation of general informative nature for INTOSAI members to pick and choose from when giving presentations in their own

environment. Furthermore, FAS is to develop a brief, easy-to-grasp information folder on the ISSAIs.

Since the last PSC meeting, the gigantic task of raising awareness of the INTOSAI Financial Audit Guidelines in preparation of participants for the congress was carried out by FAS in terms of writing articles for the INTOSAI Journal, developing printed information material distributed at relevant international meetings, preparing and sending out a presentation kit including speaking-notes for SAI management level etc. As the work of FAS has slightly changed after the INCOSAI, it has been decided to let a newsletter replace the earlier Quarterly Progress Report. The newsletter covers the recent main activities of FAS and is distributed to FAS' stakeholders on a tertial basis. When considered relevant FAS will write articles in the INTOSAI Journal, but the FAS website will be its main channel of information. Furthermore, FAS will be active in INTOSAI activities and meetings, prepared to give presentations on all levels requested. For instance, the FAS Director has given a presentation at the Namibian SAI. Within the range of the Swedish SAI international development cooperation activities, an ISSAI seminar for SAIs of Eastern Europe will be arranged in Tallinn in June, hosted by the Estonian SAI. This type of opportunities to raise awareness will be monitored by the FAS secretariat. FAS will seek opportunities to be on the agendas of bilateral or international meetings wherever possible. The members of FAS and the top level management of the Swedish National Audit Office continuously act as "ambassadors" to raise awareness of the ISSAIs and promote the importance of implementing them worldwide.

3. Contribute to the consistency in the ISSAI framework

FAS is represented by United Kingdom, USA and Sweden in the PSC project on Harmonization of ISSAIs. Their focus will be on:

- Contribute to the development of ISSAI 100 Common principles
- Develop ISSAI 200 Financial Audit– purpose, principles & basic concepts

The FAS representatives have so far participated in the project group meetings, and provided a very early draft outline of ISSAI 200. The FAS representatives will consult the entire subcommittee at the next meeting on a draft ISSAI 200.

4. Explore the advantages and possibilities of including other standards issued by the IAASB as part of the INTOSAI Financial Audit Guidelines

The FAS secretariat is currently working on drafting a survey to establish the views and needs within INTOSAI to include other IAASB standards related to financial audit or related services into the ISSAI structure. Standards to be considered includes for instance review standards, such as reviews of financial statements, reviews of interim financial statements and adjacent areas. The plan is to have the result of the survey presented at the FAS meeting in October 2011 and then also discuss the way forward.

5. Summarize lessons learnt throughout the process, with the hope that the conclusions will contribute to further improvements of our own work as well as be a valuable resource to other INTOSAI bodies.

Work related to this task will start later in 2011.

6. Monitor implementation of the guidelines among INTOSAI members.

The FAS secretariat is working on monitoring the implementation of ISSAIs for Financial Audit. To date the activities aim to identify SAIs who have implemented or will implement these. The latest figures are;

Number of respondents	32
We will implement/have implemented the ISSAIs as the authoritative standard	10
We will implement/have implemented the ISSAIs as guidance to support other standards	10
We will implement/have implemented the ISAs as the authoritative standard	5
We are considering implementing the ISSAIs	5
We are not considering implementing the ISSAIs	2

When considered relevant, FAS will carry out a survey among INTOSAI members to identify information regarding matters such as;

- The way the ISSAIs are implemented (as guidance or as authoritative standards),
- Aspects of the ISSAIs that might be difficult to understand,
- The need for additional requirements or deletions, in the ISAs (as input to future INTOSAI experts in IAASB Task Forces),
- Areas in which the SAI may decide to provide additional guidance material to achieve consistent application, and
- Aspects of the ISSAIs that may be difficult to translate for different reasons, for example because the meaning of the ISSAI may be unclear.

Such monitoring activities will provide the subcommittee with information which will facilitate future revisions to the ISSAIs as well as determine the need for awareness raising activities and implementation support to IDI. The survey is planned for 2012.