

Day 1 Summary

1a:

If you are interested in hosting the 2018 FAAS annual meeting, please express your interest this week if possible.

State Audit Bureau of Kuwait volunteered to host.

1c:

Thank you kindly for sharing information on the present challenges and opportunities that you have identified in your respective environments. This information is very valuable as it helps identify common opportunities and challenges for which effective collaboration may be beneficial. We will also consider this information as we continue to work to properly focus FAAS in the future.

1d:

The Terms of Reference have been revised in response to the observations that were raised. The revised workbook is attached for your final review. Please see the new comments and clearances on rows 18, 19, and 20. The proposed final version of the TOR is embedded in cell C4.

1e and 1f:

These agenda items focused on explaining:

- the role of the Forum for INTOSAI Professional Pronouncements (FIPP), a newly formed INTOSAI group that is working to improve the quality of the ISSAI Framework
- the revised Due Process for INTOSAI's Framework of Professional Pronouncements (revised primarily due to the creation of FIPP and its various roles during the ISSAI development process, FAAS Secretariat will adjust FAAS' processes accordingly (e.g timing of meetings, deadlines for submissions to FIPP and PSC SC))
- the key decisions that have been reached by FIPP so far to attempt to improve the quality of the ISSAI Framework with a focus on the decisions that have impacted FAAS

- Revised INTOSAI Framework for Professional Pronouncements (FIPP defines the elements of the ISSAI framework and classifies the financial audit ISSAIs as "Auditing Standards" for which compliance is mandatory if an auditor intends to refer to the audit as having been performed in accordance with the ISSAI Framework)
- 8 Priorities affecting FAAS were added to the Strategic Development Plan for the INTOSAI Framework of Professional Pronouncements (2017-2019) by FIPP to try to address known quality issues in the ISSAI Framework:

1. A more principles-based and futureproof ISSAI 200 (Agenda item 2c will address this, FAAS Secretariat will prepare a project proposal once we receive the required template from PSC SC in April that will reflect the decision reached by FAAS, linked to existing project #9 in the FAAs project summary)
2. Consolidate and improve INTOSAI practice notes to ISSAIs (Agenda item 2f will address this, FAAS Secretariat will prepare a project proposal once we receive

the required template from PSC SC in April that will reflect the decision reached by FAAS, linked to existing project #13 in the FAAS project summary)

3. Provide guidance on financial auditing (FAAS needs to decide if we will proceed with this by developing a project proposal or if we will communicate that we do not intend to proceed. Linked to project #10 in the FAAS project summary)
4. Consolidate and improve guidance on reliance on the work of internal auditors (Project proposal to be prepared in April by the identified lead (FAAS is supporting not leading). FAAS is waiting to see this project proposal before deciding on how to proceed.
5. Consolidate and align guidance for audits of Privatization with ISSAI 100 (Same as #4)
6. Consolidate and align guidance on IT audit with ISSAI 100 (Same as #4)
7. Consolidate and align the audit of public debt with ISSAI 100 (Same as #4)
8. Consolidate and align the audit of disaster related aid with ISSAI 100 (Same as #4)

1g:

- FAAS appears to be in agreement that there is a need to improve the translation process that is performed when translating the technical information that FAAS develops in English
- FAAS Secretariat will summarize the observations raised by FAAS and will prepare a submission to the PSC Steering Committee on this topic
- FAAS will work together to translate recently developed content:
 - o ECA – French, Spanish,
 - o SAI UAE – Arabic
 - o SAI Germany - German

Once translated and published, this will complete projects #1-6 in the FAAS project summary.

Day 2 Summary – Key Points (required actions)

2a - Day 1 Summary:

- Additional modifications to the proposed FAAS Terms of Reference were requested. IPSASB and IDI were also added as permanent observers. (FAAS must now approve the attached TOR)
- FAAS members from ECA and Germany requested additional information on the volume of Practice Note translations to be performed before they can confirm if they are available to assist with the translations. (agenda item 1g) (FAAS Secretariat will organize the information and will provide it as soon as possible.)
- FAAS Secretariat must request clarification from PSC on project #3 from the SDP (providing guidance on financial audit) to better understand the proposed scope before FAAS can decide how best to proceed.

2b - IAASB Update:

- Beverley Bahlmann, Technical Director IAASB, provided an update on recent and upcoming developments.
 - The present focus is on revising existing standards rather than creating new standards.
 - Revision of ISA 540 is the highest priority primarily due to the significant estimation required when applying IFRS 9. An exposure draft is expected in the next 2 weeks. (Should a FAAS project team analyze the ED?)
 - FAAS identified infrastructure projects and tax revenues as two areas where significant estimation uncertainty might exist in the public sector.
 - FAAS identified 540 as a very important standard with respect to KAM reporting.
 - ISQC 1 and ISA 220 are being revised (ISSAI 40 impact needs to be considered, ISSAI 1220 PN makes reference to ISSAI 40 and may need work even before the ISQC 1 revisions are considered)
 - ISA 600 - Group Audit is being revised, identified as relevant to the public sector, sometimes used to perform scoping for multi-location audits but not clear if this is appropriate.
 - Additional ISA 315 implementation guidance to be developed but development not yet started (no public sector considerations identified during discussions)
 - ISA 330 may be revised (no public sector considerations identified during discussions)
 - Agreed Upon Procedures being revised (identified as being frequently used in the public sector during discussions)
 - Considering the impact of the use of data analytics, no decision reached yet, not trying to define “data analytics” but looking at more general impact of technology such as reliability of data
- Jim Dalkin, Chair of IAASB Consultative Advisory Group (CAG) presented information to help FAAS understand the activities of this group.
 - CAG is a diverse group of interested stakeholders, not looking for consensus, looking to identify and help address public interest deficits in the ISA standard setting process
 - Group meets 2x/year
 - Effective communication channel to IAASB, directly influencing standard-setting
 - Will work with FAAS Secretariat to set up formal information sharing process

2c - ISSAI 200:

- Must be consistent with ISSAI 100
- Must consider consistency with ISSAI 300 and 400 (in terms of level of detail, look and feel)
- The content within is presently inconsistent when it comes to level of detail (some sections have much more detail for reasons that are unclear)
- Must ensure the terminology is consistent with the glossary
- FAAS concluded that it should be a principles-based document
- FAAS concluded that the objectives of financial audit included in ISA 200 should be consistent with those in the individual ISAs
- **FAAS Secretariat will develop a draft project proposal and will present it to FAAS for comments**

2d - ISSAI 1250 – NOCLAR Project Impact:

- FAAS did not identify an impact of the revisions to ISA 250 on the Practice Note for ISSAI 1250.
- IAASB clarified that it has impacted ISA 600 – Group Audit

2e - Growing Use of Technology in Audit:

- Austria, ECA, UK, India, France, UAE, Germany presented slides on their attempts at applying data analytics to improve the quality of their financial audits.
- Most presenters have used data analytics to improve the quality of their risk assessments, some have used them to obtain audit evidence.
- All presenters identified challenges with performing effective data analytics (availability of data, employee capacity constraints, client cooperation), most identified benefits (reduced detection risk, improved efficiency)
- Aging IT systems identified as a major impediment to effective data analysis.

2f - Practice Note Maintenance:

- FAAS approved the decision to revise the full set of ISSAI Practice Notes for editorial observations raised as a result of quality reviews performed. **(FAAS Secretariat will process these revisions and will share the result with FAAS for commenting)**
- **FAAS will define “financial audit application guidance”**
- **FAAS will analyze the full set of ISAs to identify existing content that is, by definition, financial audit application guidance**
- **FAAS will isolate the residual content and will analyze this content to determine if it is in scope of an ISA financial audit. If not, repositioning within the framework or withdrawal will be proposed.**
- **FAAS will address the identified technical weaknesses and timing of this work will be specified in the project plan**
- **FAAS Secretariat will prepare a draft project proposal based on the decisions reached and will share this with FAAS for commenting**

Day 3 Summary

3b – Introduction to IPSAS and Update

IPSASB CAG member presented an introduction to the IPSAS framework and provided information on ongoing developments and recently issued pronouncements.

- FAAS members support the idea of trying to connect INTOSAI to IPSASB through the FAAS. The FAAS IPSASB CAG member represents INTOSAI so it's important to bring the broader perspective to the table.
- Three FAAS members have IPSASB members in their offices (Austria, Canada, France) and their input could be valuable to future discussions.
- FAAS members shared examples of challenges they have encountered when trying to apply IPSAS in their jurisdictions:
 - High volume of required disclosures flowing into IPSAS from IFRS
 - Difficulties with the application of IPSAS 23 – Revenue from Non-Exchange Transactions
 - Difficulties with the application of IPSAS 24 – Presentation of Budget Information in Financial Statements
- FAAS member noted that some of the IPSAS project scopes seem too broad (e.g non-exchange expenses) which could explain some of IPSASB's development challenges (e.g long duration projects)

3c – IPSASB Strategy and Workplan

The IPSASB workplan for the period 2018-2020 was shared with FAAS. All the projects listed in the workplan were explained as part of the 3b presentation. FAAS members did not identify any accounting needs not presently addressed in the workplan. **Please feel free to share your ideas if anything comes to mind.**

3d – Accounting for Social Benefits

The project was not discussed in detail by FAAS as it was decided that FAAS would not be attempting to analyze individual projects as a group unless a specific need to do so was identified. Additional information was shared with FAAS on the scope of this project and how it is closely tied to certain GFS definitions. It was explained that the obligating event approach for recognition and measurement of social benefits (that links the trigger for recognition to the definition of a liability in the IPSAS conceptual framework) would be the approach applicable to almost all social benefit schemes. The insurance approach to recognition and measurement will only apply to certain social insurance schemes with contributions. Very few public sector social insurance schemes are expected to meet the criteria required to be able to apply the insurance approach (with accounting based on IFRS 17 – Insurance Contracts).

3e – Financial Reporting for Heritage in the Public Sector

The project was not discussed in detail by FAAS as it was decided that FAAS would not be attempting to analyze individual projects as a group unless a specific need to do so is identified. Additional information was shared to help FAAS understand the current accounting requirements in IPSAS 17 – Property, Plant, and Equipment and IPSAS 31 – Intangible Assets which allow the recognition of heritage items but do not require it. The new standard being developed will likely require recognition when the criteria for recognition of such an asset and/or liability are met.

Other Observations Raised

- IDI indicated that it was pleased that FAAS would be addressing the accounting challenges since this will help them improve the quality of their financial audit ISSAI programs (since the financial audit ISSAIs include a requirement to ensure that the accounting framework applied by the audited entity is acceptable at ISSAI 1210.6a).
- FAAS has decided that it will not attempt to analyze and respond to IPSASB exposures. Project-level topics may be discussed within the group as deemed necessary by FAAS.
- FAAS needs to develop a communication protocol for disseminating accounting and reporting related information to INTOSAI as a whole (knowledge sharing objective).
- Future discussion on accounting and reporting will not only focus on IPSAS, FAAS input will determine the future agendas.