

FAAS DIGITAL MEETING - Minutes

June 18th, 2024

Meeting commenced 12:00 UK time.

Apologies: SAI UAE & IDI

Introduction & Housekeeping

- Introduction of FAAS Chair & Vice Chair

Introduction by James Osborne, Director of Quality at the National Audit Office of the United Kingdom - the UK NAO has taken on the role of FAAS Chair with Sweden taking on the role of vice-chair. James has been working with FAAS for the past two years. It is important to re-energise the work of the committee before the annual meeting in October.

Ambition as chair is to engage early with standard setters. The FAAS is an important voice in standard setting and particularly in the application of standards for the public sector.

Progress has paused against many projects in the plan and FAAS needs to focus on what existing projects should be prioritised between now and October to demonstrate clear progress.

There needs to be a clear understanding of individual responsibilities for projects. A longer list of future projects FAAS could be involved in will be tabled for discussion at the October meeting.

Introduction by Viveca Norman, head of the Financial Audit Department at the Swedish National Audit Office – has been a member of the FAAS since 2018. Looking forward to cooperating with all FAAS members and have fruitful discussions both in online meetings and at the in-person meeting in London.

Mentioned the agreement between SAI UK and SAI Sweden, that the role of FAAS chair will be held by UK for two years and by Sweden the following two years.

- Secretariat introduction

Steve McClenaghan (SAI UK) & Eleonora Cereceda Nassirova (SAI Sweden). Eleanora has ten years of experience at SAI Sweden working in financial audit, Steve has twelve years of experience at SAI UK focused on financial audit with elements of compliance audit.

The secretariat will support the chair, vice-chair, and members, take responsibility for reforming the operational plan and updating key FAAS documents. They will provide

papers and support for future FAAS meetings. The overall aim is to function as a supporting role for individual project groups to understand progress and link groups with observer bodies who can provide insights into developments.

- **Terms of Reference**

The terms of Reference underpin what FAAS does and what its responsibilities are. They have been reviewed against current ways of working and the terms of reference of other subcommittees of the PSC.

In the objectives section, new text has been added to clarify the role of FAAS within INTOSAI and how FAAS approves activities that are being worked on.

The FAAS Chair section has been updated to reflect Vice-Chair role and clarify the relevant regulations for the role alongside removing the description of secretariat.

SAI Austria raised a query as to whether there is a single contact email for FAAS.

Action: FAAS Secretariat to contact SAI Austria as to the appropriate email addresses to list.

The section on membership composition has been updated to remove the rule that in the case of a vacancy this will be filled by the longest serving observer. This is not in line with INTOSAI principles, so the proposal is to remove this and give a more rounded consideration to filling vacancies.

A minor change to the Operating Procedures and rest of the terms of reference to rename working groups to project groups to avoid confusion.

SAI South Africa queried the relevance of stating in this section that FAAS will co-operate with the IAASB but not mention the other bodies that FAAS works with. It was felt that it might be clearer to remove this. The Chair of FAAS felt that the suggestion that the wording is removed is reasonable.

SAI USA queried what the arrangements are for the hosting of agreements with other bodies to allow all members to review the documentation?

The Secretariat explained that they are aware of Memorandums of Understanding that exist, but they need further investigation. Need to discuss whether these can be hosted online to increase transparency.

SAI Sweden highlighted that there is a MoU between INTOSAI and IFAC, this is managed by the PSC and covers various standard setting board. This was echoed by IPSASB representation who stated they have a broad MoU with INTOSAI and therefore have not seen the need to have a specific one for the FAAS. The lack of such a specific MoU will not hamper their engagement with the group.

Action: Secretariat to review the final sentence of the Operating Procedures section of the Terms of Reference to see if it needs clarification or removal and to review Memorandums of Understanding held with other bodies and see how they can be hosted online.

Updates to the section on meetings. Up until now FAAS has had a single in-person meeting each year. It would be more useful to have up to two digital meetings per year in addition to capitalise on engagement between members and ensure we are able to demonstrate progress against objectives. Wording changes ensure a degree of flexibility in the terms of reference to aid compliance.

SAI South Africa stated their support of the change to having more than one meeting each year. They proposed that it might be worth indicating how far in advance of meetings will be announced to ensure maximum attendance.

Action: The Secretariat agreed with the principle of reasonable notice and will discuss additional wording to cover this point.

- INTOSAI's Strategic Development Plan – important connection to FAAS

SAI Sweden gave an overview of the INTOSAI Strategic Development Plan. The current SDP covers five initiatives that span audit streams. The aim of all initiatives is more clarity. The five initiatives are:

A initiative – this has both short- and long-term elements. In the short term it is looking at making documents searchable and accessible. In the long term it is looking at how new tools can be used to gain access to documents.

G initiative – this initiative is looking at ensuring that GUIDs support the implementation of the ISAAIs.

I initiative – this aimed at avoiding repetition and clarifying differences between audit streams.

P initiative – this is assessing whether the current structure of INTOSAI principles is fit for purpose.

T initiative – the result of this initiative is likely to be a glossary and language convention for the drafting of standards.

A core group has been established to co-ordinate initiatives. The idea is not to change how audits are conducted but to add clarity. It is important that all audit streams are represented, INTOSAI would like FAAS members to take part to ensure financial audit perspectives are taken in to account.

The PSC Secretariat explained that the PSC has written to every SAI and regional body asking for expressions of interest for contributions and has had almost 30 bodies express an interest so far. The Strategic Development Plan will be taken to the PSC steering committee next week to see if all five projects can go ahead or if some of the initiatives should be prioritised.

The FAAS Chair asserted that there are areas where it is important that FAAS as a community has a voice. He asked FAAS members whether they had committed to contributing to any of the initiatives so far.

SAI Latvia have shown an interest in contributing to initiative I. Sweden have shown interest for initiatives T & I. SAI France are setting up a team dedicated to the initiatives and would be happy to represent FAAS on initiatives I or G. SAI Germany are planning to engage two staff members from different units in the initiatives.

SAI South Africa, SAI USA, SAI the Netherlands, SAI Canada and SAI India are in the process of consulting internally on which initiatives they could volunteer for.

Representatives of CIPFA reflected on the G initiative how the idea was to disseminate the standards so they could be interpreted and understood for implementation. It was felt that this was a role for FAAS rather than individual SAIs.

The Secretariat noted that they have tried to identify where existing FAAS activity is in line with these initiatives in the operational plan. They would like a clear FAAS voice in initiatives to ensure considerations for financial audit are clearly captured.

Action: the FAAS Secretariat would be grateful if members could inform secretariat when they sign up to Strategic Development Plan initiatives.

- FAAS Strategic Plan 2023-2025

The FAAS Strategic Plan 2023-25 was distributed at the meeting in Baku but not discussed. The Secretariat have made some minor changes but would like a more in-depth discussion at the meeting in London in October. The Strategic Plan is short and quite general. Divides the activities in FAAS into A objectives which are the key focus and B objectives which are of lower priority.

The Secretariat have not engaged in substantial amendments at this stage as the existing 2023-25 timeline aligns with other organisations, therefore they would like to save significant changes for the next strategic period. The changes proposed clarify that FAAS will be participating in INTOSAI standard setting projects that influence financial audit and engaging on important developments occurring within the IFPP rather than all changes.

SAI South Africa stated that they had no objections to the proposed updates but supported having a larger discussion on it at the in-person annual meeting.

- **Operational Plan Discussion (part 1)**

The Secretariat have not added or removed anything to the Operational Plan. The focus for the meeting is on prioritisation and looking at what can be progressed. A more detailed discussion about the plan will take place at the annual meeting in October. In the short-term focus is on the category A initiatives, in particular where FAAS has a responsibility to ensure alignment with ISAs.

The progress FAAS can achieve will depend on the engagement of FAAS members. Following the change in Chair of the FAAS, there is a need to identify new leads and participants for project groups.

Objective 1A

Analyse the new generally accepted financial audit standard for the audit of Less complex entities: The standard for auditing less complex entities has been developed and had final pronouncements in December 2023. The FAAS project group needs to analyse the applicability to the public sector context.

The Chair asked whether any FAAS members are engaging with the standard within their own countries. SAI Latvia, SAI Canada, and SAI UK stated that they had all done an assessment of the standard but were not applying it.

SAI Ireland saw opportunities for the standard in their work so volunteered to lead on this project. SAI India and AFROSAI-E are happy to participate.

Action: SAIs who have conducted analyses of this standard to explore whether they could share this with the project group.

Objective 2

Review on revisions to ISSAI 2600 – Group Audits: SAI UK volunteered to be the lead member as they have done quite a bit of work on reviewing the standard for the UK context. The project group needs to conduct a review of the 2600 standard and consider whether GUID 2900 needs to be updated. This aligns with the G initiative in the Strategic Development Plan.

SAI Latvia would like to participate in the project group.

Objective 3

Analyse revisions of ISSAI 2240 – Fraud and going concern in an audit of financial statements: SAI Cameroon spoke of how they have been monitoring the developments relating to fraud and going concern in an audit of financial statements and now need to consider what will change as a result of the draft standard.

SAI Cameroon, SAI France, SAI USA, and SAI South Africa would like to contribute to this project group. CIPFA would be interested to support as an observer.

Objective 4

Analyse changes to ISSAI 2220 – Quality Control for and audit of financial statements and also changes in ISQM 1 and ISQM 2: The first element of the objective relating to ISSAI 140 has been completed. The element outstanding is analysing the changes arising from ISSAI 2220 and determining if GUID 2900 needs amendment and drafting these amendments if so.

SAI India are happy to continue to participate as members of this project group. SAI Canada would like to be involved.

SAI USA raised that objectives 2, 3 & 4 all potentially could result in requiring updates to GUID 2900. They queried whether this would be co-ordinated or is the FAAS Secretariat happy to have multiple reviews of GUID 2900 in one year if the work on individual objectives conclude that changes are required. They suggested that going forwards we should consider a framework for making changes to GUID 2900.

The Secretariat noted that a key role of FAAS is ensuring GUID 2900 is up-to-date and that FAAS is a little behind in adapting some standards which is a rationale for taking a less co-ordinated approach to updates this year. As Secretariat they will consider how best to this.

Action: The initial piece of work is to look at what the scale of change could be to GUID 2900 and achievable timescales, if those can then be lined up with other projects, FAAS can consider taking an overarching approach to the update.

Action: The Secretariat will reach out to members and observers after the meeting to confirm participation in project groups.

- Operational Plan Discussion (part 2)

Objective 5B

Sustainability: Sustainability is an important area for members and observers, although there are differences in what this means for different SAIs. The existing objective was framed as one that monitors developments in this area, but the relevant ISSAI standard is anticipated to be issued later this year. This standard will need to be reviewed, and consideration given to how it applies to the work of FAAS. There are therefore opportunities for longer-term pieces of work around consideration of future standards and engagement in their development.

SAI Germany offered to continue the lead of the workstream. They noted that IPSASB hope to issue their exposure draft in the final quarter of the year. This topic has linkages to other project groups within INTOSAI and SAI Germany have spoken to the secretariat to ensure that when the relevant standards come to be transformed into the INTOSAI framework this has engagement from other bodies.

SAI India noted that they are seeing a lot of developments around sustainability reporting and business responsibilities. SAI India has taken a role promoting initiatives on national resource accounting. **They would be interested in participating in the project group.**

SAI Namibia, SAI Austria, and AFROSAI-E would also be interested in contributing to the project group.

Action: the Secretariat will seek to engage with members over the summer about the wording of this objective. FAAS's remit and role on this subject will be considered at the October meeting.

Objective 6B

Use of technology in financial report preparation and audit: There is high interest in the use of technology in financial report preparation and audit. FAAS needs to follow relevant developments and has been engaged with IDI and IAASB on this matter. IAASB have some interesting work commencing in this area.

SAI South Africa, SAI Austria and AFROSAI-E are interested in participating in this project group.

Objective 7B

Improvements in audit governance arrangements: This has been completed and can be closed. Work on this will be presented in October meeting. This objective was UK-focused, looking at developments relating to improvements in audit governance arrangements but presentation of it may be of interest for other organisations.

Objectives 8B and 9B

Internal audit: These objectives relating to improving guidance on reliance on the work of internal audit and understanding internal control in an audit. These objectives are being worked on alongside the Internal Control Subcommittee. An update will be provided at the October meeting following the ICS meeting which is happening earlier in October.

- Questions/Other points to be lifted/Finalise meeting

SAI South Africa noted that at the Baku meeting it had been agreed to add a project on materiality to the Operational Plan. The Chair agreed that this would be good to officially add to the operational plan at the October meeting and look to align that with IAASB future standard setting.

Action: FAAS Secretariat to present a new operational plan for approval at the in-person meeting in October.

- **Information regarding next in-person meeting in London presenting dates, October 15-16th.**

Invitations to the October meeting will be sent shortly and official letters to support visa applications can be provided on request. A maximum of two representatives from each member and observer will be able to attend.

At the meeting in October, it is hoped that project groups can provide updates on objectives that have been progressed. The meeting will also be focus on firming up objectives where engagement is needed with members so the operational plan can be formally approved. The meeting will have opportunities for specific engagement with observer members. It is also hoped that the updated terms of reference will have been approved by PAS ahead of the meeting.

End of Meeting.