

# FAAS Meeting in London 2024 – Minutes

**Participants in London:** Austria, Canada, European Court of Auditors, France, Germany, India, Ireland, Latvia, Namibia, Netherlands, Norway, Sweden, United Kingdom, United States of America, AFROSAI-E, IDI, IAASB, IPSASB and PSC

**Digital Participants:** Azerbaijan, Cameroon, South Africa

## 1.1 Day 1 - 15 October 2024

### 1.1.1 Introduction & Housekeeping

FAAS Chair & Vice Chair opened the meeting (James Osborne and Ulrika Meyer)

Secretariat (Steve McClenaghan and Eleonora Cereceda Nassirova) took the membership through agenda and other practicalities.

Warm-Up Group Activity.

### 1.1.2 IAASB Updates

Josephine Jackson, IAASB Vice Chair from FRC (Financial Reporting Council) made an update on below areas:

- Sustainability assurance
- Fraud – Revising ISA 240
- Going Concern – Revising ISA 570
- Technology
- Audit Evidence and Risk Response

Questions from the FAAS members included:

- A discussion on the implementation guidance on sustainability standards. J. Jackson touched on a number of areas in response, including the challenge presented by the possibility of ‘double or competing materialities’ with regards to financial and sustainability reporting.
- A question was raised with regards to efforts by the IAASB to move from a purely technology neutral position in their guidance towards offering guidance that acknowledges the use of technology. J Jackson confirmed that current standards do not contain structural barriers to the use of technology.

### 1.1.3 Bullet Points from FAAS Digital Meeting 18 June 2024.

Main bullet points were mentioned for follow up and inform about:

- FAAS Terms of Reference updated according to all comments received at the meeting. The new version was approved by PSC 20240910 and shared with FAAS members and observers 20240917.
- Discussion point – whether updates on GUID 2900 should have an overarching approach or individual approach per project?
- The new operational plan will not be presented in October 2024. Suggestions and ideas for forming a new FAAS Operation Plan will be discussed at the October meeting in London.

*Action point: The frequency of the overarching FAAS update on GUID 2900 needs to be decided.*

### 1.1.4 FAAS Operational Plan and updates on objectives 1-9

All objectives below are presented alongside with Power Point slides available in a separate PDF-document “FAAS Meeting – Day 1 (London) - 20241015”. Points presented below are comments, questions and discussions made after each presentation.

#### **Objective 1A – ISA for audits of less complex entities**

Presentation made by Andy Harkness (SAI Ireland).

The working group are reviewing the ISA for LCEs and will survey members to understand experiences of considering application in individual jurisdictions. SAI Ireland shared their reflections from looking at scope for adoption in their own jurisdiction. Some accounts audited see changing complexity year on year, for an example an Election Office which is only complex in election years. SAIs are reluctant to change which standards they are using each year depending on whether an entity is considered complex at a certain point of time.

It was noted that when implementing the LCE standard, there exists a challenge with Parliamentary authorities in how to convey that the audit still provides appropriate levels of assurance.

Need to consider the role of FAAS in relation to the new standard, whether it has a role in informing on potential applications of the standard or whether it should be gathering information on how SAIs are adopting it.

J. Jackson of the FRC noted that the development of the standard had been prepared with the intention that users would apply qualitative and quantitative measures in making the judgment to apply the standard.

SAI Latvia and SAI UK informed the meeting that the standard has not been approved for us in their jurisdictions. Colleagues from SAI South Africa noted that they had successfully implemented the standard.

*Action point: The project group is proposing a brief survey of the FAAS membership and observers on the ISA-LCE which would be handled through the secretariat. The feedback from participants will be incorporated in relation to the survey questions. It is important to get as much data or observations from SAIs so that this can be fed back to FAAS in their project report.*

### **Objective 2A – Review of GUID 2900 for ISSAI 2600**

Presentation made by Steve McClenaghan (UK NAO)

ISA 600 is now effective for 2024-25 and adopted as ISSAI 2600. An Initial review of GUID 2900 has identified that updates are required. Project to update the GUID to be taken forwards at pace. Some initial consideration includes the removal of significant components as a concept and the development of the concept of component materiality

Areas of discussion included:

-How the group auditor takes small and immaterial bodies that must be audited because of legal requirements into account?

– -How do you provide instructions to other auditors and ensure they are followed?

-How do you deal with different practices in auditing when consolidating?

*Action point: Project group will meet for discussions on undertaking a review of ISSAI 2600 and consider where specific Public Sector guidance may be necessary; draft a proposed guidance and update FAAS on progress at next meeting.*

### **Objective 3 – Updating GUID 2900 for Forthcoming Changes to ISSAI 2240**

Presentation made by Vincent Feller (SAI France)

The working group is set up to consider upcoming amendments to ISSA 2240.

It was noted that it would be helpful to have more of a description about how fraud often comes about in the public sector as this can be a little different than in the private sector.

Guidance and experience on the overstatement of expenditure would be helpful.

J.Dalkin (US GAO) noted that in the public sector context fraud motivation and implementation were often different to the private sector. M. Abbink (SAI Netherlands)

reflected that he had personal experience of instances where fraud in the private sector had impacted the public sector.

Auditors sometimes see a tension between the audit of the accuracy of the financial statements and compliance audits which may identify issues not features in the financial statements. For example, revenue budgets may be manipulated at year-end to give a clear budgetary position in the financial statements.

How does financial audit approach fraud risks that may come from emerging matters such as AI?

There are different levels of responsibility within public finances. It can be difficult for the auditor to capture all levels, for example if a beneficiary of a payment from government is behaving fraudulently.

The nuances in the public sector position indicates SAIs are in need of guidance – it may be helpful to do outreach in the SAI community to see what nuances aren't captured currently in the ISSAI.

Guidance already exists in several jurisdictions, sharing this might help determine what FAAS needs to think about when adopting principles.

Need to think about the interaction with compliance audit in relation to fraud.

*Action point: Project group have set a plan on reviewing changes to ISSAI 2240, comparing with GUID 2900 and assessing impact and therefore draft recommendations and prepare and present a short paper and final report by October 2025 and finalize the report with all incorporating feedback by end of 2025.*

#### **Objective 4 – Affection of amended ISSAI 140 on ISSAI 2220 and therefore on GUID 2900**

Presentation made by Bjørn Rydland (SAI Norway).

The impact of changes to GUID 2900 arising from ISSAI 2220 need to be considered alongside conforming amendments from ISSAI 140 already identified. IDI have incorporated changes in revised methodologies and handbooks, therefore happy to share their experiences.

*Action point: Project group aim to complete the review and prepare draft proposals by end of 2024.*

## **Objective 5B – Sustainability**

Presentation made by Karsten Asbahr (SAI Germany)

The presentation noted the developments in sustainability standards which the working group has been monitoring.

A key question so answer is whether INTOSAI will adopt proposed standards, and the extent to which amendments and guidance will be required. Also, what is the route for INTOSAI adoption and the role of FAAS. The working group set out initial thinking on a mechanism for adoption.

Following the meeting, the FAAS chair agreed to support coordinated working between the project team and other INTOSAI groups by placing the team in contact with Katie Losse, SAI UK's Director of Environment and Climate Change.

We need to consider working practices and how we monitor developments in standards set by others.

A sustainability framework for the public sector is not in place in every country, it is difficult to understand what you are going to audit without this framework.

ISSA 5000 is meant to be framework agnostic; it is for individual jurisdictions to decide what reporting framework they want to apply.

European sustainability reporting standards (ESRS) for the private sector are due in 2026.

*Action point: The scope of this objective needs to be more specified.*

## **Objective 6 – Use of technology in financial report preparation and audit**

Presentation made by Eleonora Cereceda Nassirova (SAI Sweden)

Should we be engaging with the thinking behind the developments in IAASB and IPSASB to ensure we are prepared to respond to updated standards when they come into view.

Maybe this objective can work with other INTOSAI groups like WGITA to share ideas.

We can share knowledge from SAIs as to how they are using AI for their operations and audits.

We need to establish the scope of the project, is it responding to published standards or actively interacting in their development?

What technology are we looking at? Is it technology in setting standards? At our clients? In our own offices?

*Action point: The scope of this objective needs to be specified more clearly.*

### **Objective 7 – Improvements in audit governance arrangements**

Presentation made by Steven Corbishley (UK NAO). The presentation outlined the SAI UK experience into the implementation of regulatory oversight into audit quality, including the challenges in balancing compliance with oversight and auditor independence.

SAI UK have now completed their implementation, and the presentation provides an overview of how this was achieved. This objective is going to be closed as no further work will take place.

*Action point: This objective is going to be closed as no further work will take place.*

### **Objective 8 – Guidance on Cooperation with Internal Auditors**

Presentation made by Martin Abbink (SAI Netherlands)

The presentation outlined the position that was arrived at alongside the work of the Internal Control Subcommittee work. It was felt that at this time there was a need to continue to monitor this as we wait for the G initiative of the INTOSAI SDP to get underway but at the current objective can be closed.

*Action point: This objective is going to be closed pending progress on the G initiative of the INTOSAI SDP.*

### **Objective 9 – Guidance on Understanding Internal Control**

Presentation made by Jim Dalkin (US GAO)

As with Objective 8, this project is to be closed pending progress on the G initiative.

*Action point: As with Objective 8, this objective is going to be closed pending progress on the G initiative of the INTOSAI SDP.*

## 2 Day 2 – FAAS Meeting in London – Minutes

16 October 2024

### 2.1 IPSASB Updates

Henning Diederichs from ICAEW (Institute of Chartered Accountants in England and Wales) made an update on below areas:

- About IPSASB overview
- IPSASB strategy and work program for 2024-2028
- Update on recent projects (climate, natural resources and presentation)
- IPSAS implementation
- Overview of IPSAS 33 – first time adoption
- Additional resources to help with the move from cash to accruals accounting

There were questions from attendees including from J Osborne (FAAS CHAIR, SAI UK) with regards how IPSASB is considering the complexity now seen in public sector accounts – accruals, valuations, novel group structures, investments in synthetic green energy contracts and hedge accounting. A. Findlay (PSC Secretariat, ECA) queried what work was being undertaken to ensure correct application of the standards and the following of guidance.

### 2.2 FAAS – New Project Group

In response to the opportunity to review and provide feedback to IPSASB on the exposure draft to Clarify Requirements for First-Time Adoption of Accrual Basis IPSAS, a new project group has been formed. The project group will work to a tight timescale to responds by the deadline of 4 December 2024.

AFROSAI-E have agreed to the lead the project and have joined by SAI France and IDI

*Action point: Deadline of this feedback to be submitted is 14 December 2024. The internal process within FAAS will be decided between the project group and FAAS Secretariat.*

### 2.3 PSC Updates

Alan Findlay, PSC Secretariat, from ECA (European Court of Auditors) made an update on below areas:

- Implementation of the PSC’s Strategic Development Plan 2023-2028
- Working Group – Revision of Due Process
- FIPP Selection Process
- External evaluation of INTOSAI’s Standard-setting
- Looking ahead

*Action point: Deadline of this feedback to be submitted is 14 December 2024. The internal process within FAAS will be decided between the project group and FAAS Secretariat.*

## 2.4 Comptroller & Auditor General, UK NAO

Gareth Davies

The C&AG of the UK NAO (SAI UK) gave a short talk on the nature of the challenges faced by public sector audit and the continued importance of our collective work.

## 2.5 Forming a new FAAS Operational Plan

Group discussions at each table on ideas for further work within FAAS. Two questions were discussed, whereas question 1 on ideas for the operational plan within FAAS and question 2 on practical side of how the projects should be running, since we do not have any current framework on it and suggest everyone to bring feedback and ideas on it.

Points raised in the discussions are included at Appendix 1.

*Action point: the scope of above discussion points, for both questions, will be analysed by FAAS Secretariat and will be decided by FAAS Chair and Vice Chair for further work within FAAS.*

## 2.6 Upcoming meetings

Next FAAS Digital Meeting is planned on 23 January 2025.

A question was also raised on who would like to host next FAAS in-person meeting (September or October 2025) and kindly asked to get in touch with FAAS Secretariats.

FAAS in-person meeting will be hosted by SAI Sweden, alongside with taking over the chair role.

End of Meeting Day 2.

## 3 Appendix 1

### 3.1 Following points were raised for question 1 (ideas for operational plan):

- a) Practical assistance for SAIs in implementing ISSAI 140 – including examples of how SAIs have put this into practice.
- b) Some SAIs saw a gap in ISA 600 where there may be duplication of effort in joint audits performed on groups.
- c) Several ISAs referring to ISQM, stating that you also need to follow ISQM to be able to comply with the standards. Some of SAIs have implemented only ISQM, something that is worth considering about once we do our project work within FAAS.
- d) In recent years more of the focus has been on the audit rather than the accounting side of the sub-committee, but something that will be encouraged more.
- e) To break down projects, such as technology in several smaller “component projects”, such as technology for example.
- f) Sharing of experience of consolidations where many of the entities consolidates are not audited by the SAIs – advice on communication with component auditors. How to organize some principles when a SAI is working with the private sector auditors and how as SAI, to audit a body that is submitted to certification by a private sector.
- g) Is there a possibility for FAAS to suggest different levels of SAIs complying with IPSAS or other standards, highlighting the most importance of each standard.
- h) Need to check standards including ISSAI 200 & 2000 to see if amendments are required to reflect the changes brought about by ISSAI 140.
- i) Clear role for the FAAS secretariat to manage the process of amendments being done so they are co-ordinated rather than piecemeal.
- j) Need to think about sustainability – this is a question bigger than FAAS.
- k) Should FAAS focus in the immediate term on a few projects where it can achieve maximum impact and execution?
- l) IAASB are always interested in the public sector angle, FAAS should ensure it is being proactive with engagement.
- m) Sharing amongst SAIs insights and issues on how they are applying different standards and share it within FAAS.
- n) Would like more information on the formal decision processes both within FAAS and standard setting boards.
- o) ISSAI 2900 – need a clear plan on how to work on this within FAAS.
- p) To check with CBC and their scalability on LCE to get insights for FAAS.
- q) Sustainability, good to compare with CAS and PAS on how they work with it.

### 3.2 Following points were raised for question 2 (practical function within FAAS):

- a) Create a formal process for how often each project group needs to meet etc
- b) Who is taking ownership of the project/update of ISSAI 140? There is supposed to be an update on GUID 2900.
- c) Framework/template of practical work of our project group
- d) Formalize project papers (general form/template), how often should these papers be sent out to FAAS Secretariats? – a template for each project group to use
- e) Documentation on website and discussion forum
- f) General form to share within FAAS, so each group can see when each project will be finalized or updated etc.
- g) Core team to actively review projects within FAAS (drafters or reviewers)
- h) New standards – how should we as FAAS respond, can the responsibility be delegated to a formed project group?
- i) Sharing experiences with SAIs on implementation on new standards – making space for feedback at FAAS meetings.
- j) GUID 2900 – necessity to discuss the timing for updates, once a standard is effective, there is an implementation period of 12-18 months, it is good to match these.
- k) Continue having one in-person meeting and two digital meetings
- l) Ask CAS and PAS on how they're working
- m) Formal decision on agreeing process on going forward, is it chair or FAAS etc?
- n) Minimum quorum of project groups (and maximum, e.g. 10)
- o) Use of surveys
- p) Timelines and meetings
- q) Revised ISSAI 140 – there is discussion about having a technical guidance, where IDI is supporting implementation of revised ISSAI 140 and have already a draft available for public comments until December 2024.

*Action point: The scope of above discussion points, for both questions, will be analysed by FAAS Secretariat and will be decided by FAAS Chair and Vice Chair for further work within FAAS.*