

**Project Structure and Co-operation Process
for the Development of INTOSAI Financial Audit Guidelines**

March 2006

INTOSAI Financial Audit Guidelines

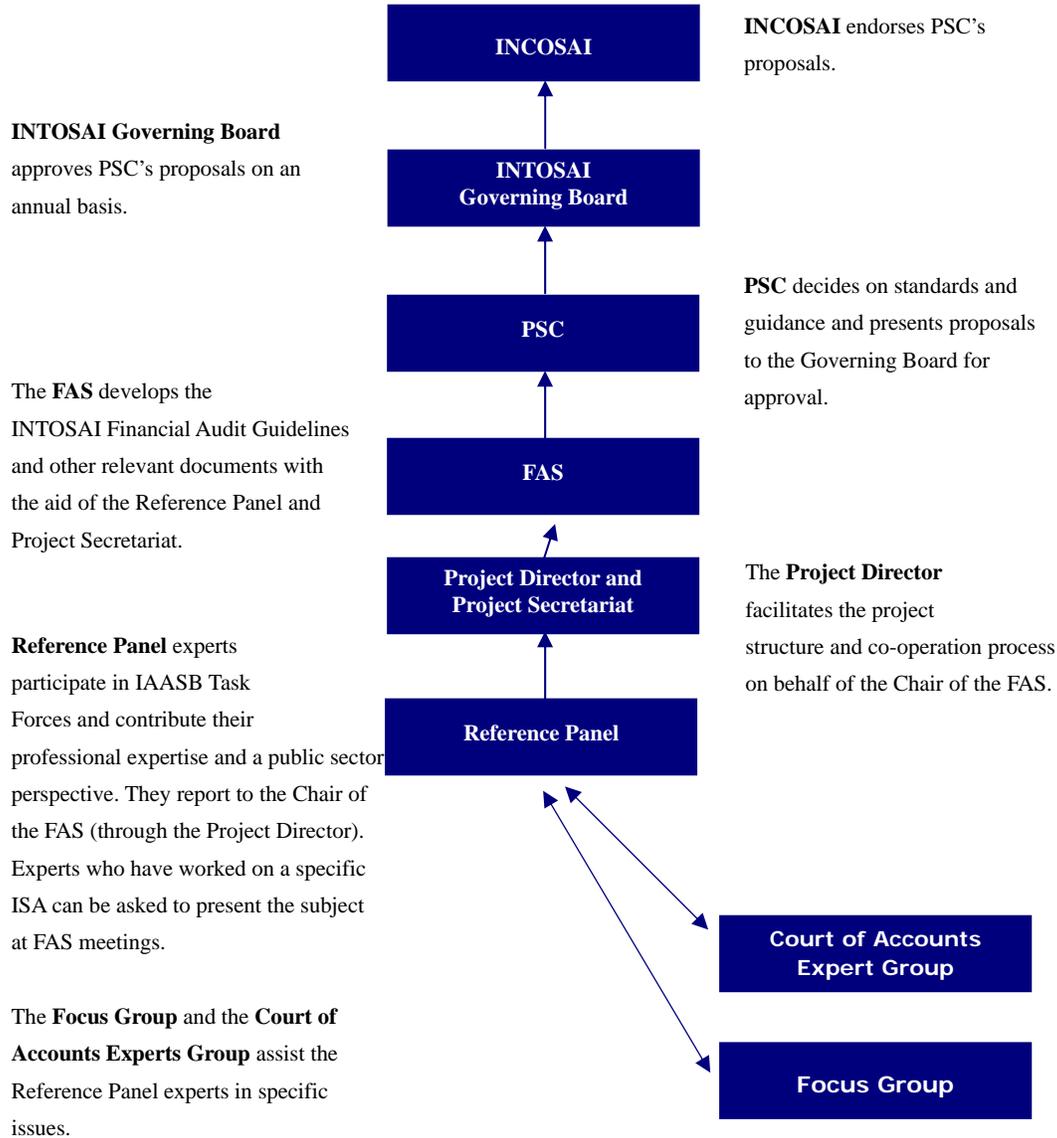
1. The INTOSAI Financial Audit Guidelines will form in-depth guidance to the INTOSAI Auditing Standards. They will constitute the fourth level in the existing hierarchy of standards in the International Organization of Supreme Audit Institutions (INTOSAI), which consists of the Lima Declaration, the INTOSAI Code of Ethics and the INTOSAI Auditing Standards.
2. In accordance with the Memorandum of Understanding between the Professional Standards Committee (PSC) of INTOSAI and the International Auditing and Assurance Board (IAASB) of the International Federation of Accountants (IFAC), a Guideline will consist of an International Standard on Auditing (ISA), which – where appropriate – will contain public sector related guidance, and a practice note.
3. Practice notes will be prepared by the INTOSAI Financial Audit Guidelines Subcommittee (FAS) for approval by the PSC. Practice notes will explain the application of an ISA in the public sector – providing guidance on the extent to which it is applicable and the adjustments to be made by a public sector auditor. Where considered necessary, a practice note may contain detailed guidance on the application of an ISA in the public sector. Guidelines may also be developed by the FAS in areas that are not relevant to the private sector.
4. The INTOSAI Financial Audit Guidelines will include the following sections:
 - A description of their purpose and relation to other regulations and standard setting bodies;
 - A bridge – linking the INTOSAI Auditing Standards with the ISAs;
 - ISAs – where appropriate – with public sector related guidance (refer paragraph 2),
 - Practice notes for each ISA prepared by the FAS;
 - General considerations for auditors relating to the application of the ISAs in the public sector; and
 - Additional guidance on public sector audits that goes beyond the scope of the ISAs.

Project Structure and Co-operation Process

5. The PSC has created a project structure to facilitate the development of the INTOSAI Financial Audit Guidelines. The FAS is responsible for developing the INTOSAI Financial Audit Guidelines. The FAS has created a Project Secretariat and a Reference Panel to assist it in this regard. The Chair of the PSC has delegated the responsibilities according to this memorandum to the Chair of the FAS.
6. The FAS has established two additional standing groups of experts to assist it in developing the INTOSAI Financial Audit Guidelines. The Focus Group prepares, for approval by the FAS, comments on IAASB project proposals and public sector related guidance in the ISAs developed

without the involvement of a Reference Panel expert. The Court of Accounts Expert Group assists the Reference Panel experts in providing guidance on special considerations relating to the Court Supreme Audit Institutions model.

7. Decisions within INTOSAI on the INTOSAI Financial Audit Guidelines are made as follows:



INTOSAI FINANCIAL AUDIT GUIDELINES SUBCOMMITTEE

8. The FAS currently consists of the Supreme Audit Institutions (SAIs) of Canada, Cameroon, Korea, Namibia, Norway, Sweden (Chair), Tunisia, the United Kingdom, the United States and the European Court of Auditors (non SAI member). The INTOSAI General Secretariat and the IAASB is invited as observers to all FAS meetings

REFERENCE PANEL

9. The Reference Panel consists of individuals from different SAIs in the INTOSAI community with expertise and experience in auditing and standard setting. The FAS appoints experts to the Reference Panel based on nominations from INTOSAI members.
10. Reference Panel experts are appointed as members of IAASB Task Forces. Such experts prepare for and actively participate in the discussions at IAASB Task Force meetings. The objective is for the experts to ensure that public sector considerations are appropriately considered by the IAASB Task Forces and included in the ISAs.
11. Each expert appointed to an IAASB Task Force has one to three other Reference Panel experts, appointed specifically to discuss the work of that Task Force. The objective is to obtain input from other SAIs in the INTOSAI community. In addition, the expert has the support of the Court of Accounts Expert Group, if the court model is not represented amongst the experts involved in the project. The expert appointed to the IAASB Task Force is responsible for coordinating discussions with such other experts.
12. The experts appointed to IAASB Task Forces are responsible for preparing draft practice notes for consideration by the Project Secretariat and for approval by the FAS. They also assist the FAS in preparing other relevant documents.

PRACTICE NOTE TASK FORCES

13. Existing ISAs, which are not to be revised in the near future, are considered by the FAS, and practice notes developed. Starting in 2005, this work is undertaken by Practice Note Task Forces, which are created by the FAS and drawn from the Reference Panel.

APPOINTMENT OF EXPERTS

14. The Project Director, on behalf of the FAS, is responsible for appointing experts of the Reference Panel to the IAASB Task Forces (in consultation with the IAASB Technical Director), the Focus Group, the Court of Accounts Expert Group and any other groups of experts approved by the FAS. The FAS approves the procedures for appointment of experts.

PROJECT SECRETARIAT

15. The Project Director is appointed by, and reports to, the Chair of the FAS, and is responsible for facilitating the project structure and co-operation process on behalf of the Chair of the FAS.
16. To achieve the above, the Project Secretariat, under the direction of the Project Director, creates terms of reference, operating procedures, and reporting standards for all the different groups of experts established to develop the INTOSAI Financial Audit Guidelines.
17. The Project Director reports on a timely basis to the FAS on progress with regard to the development of the INTOSAI Financial Audit Guidelines, and on matters that needs the approval of the FAS.

IAASB

18. The IAASB remains responsible for the approval of the ISAs. The IAASB may consider it

necessary to amend an ISA prepared by an IAASB Task Force, including the public sector related guidance proposed by the Reference Panel expert. Where the IAASB proposes amendments to the ISA that affect the public sector related guidance, the relevant IAASB Task Force Chair may consider it necessary to consult the Reference Panel expert involved in the IAASB Task Force in this regard. In this case, the consultation takes place in a manner that will not disrupt the timely issue of the proposed or final ISA. The IAASB may also consider it necessary to consult others with public sector expertise and experience in regard public sector related guidance in the ISAs.

Project Timetable

19. The IAASB will inform the Project Secretariat of its project timetable and any amendments thereto in order for the FAS to have the maximum time available to make appointments of Reference Panel experts to IAASB Task Forces. Both INTOSAI and the IAASB recognize that the IAASB project timetable is paramount and that the FAS's participation in IAASB projects (i.e., through Reference Panel experts) will take place in the context of the project timetable. If the FAS for any reason is unable to participate in accordance with the IAASB timetable, the IAASB project nevertheless will progress as planned.
20. Practice notes will be issued by INTOSAI within ten months after a new or revised ISA is issued by the IAASB. This will include a four month public exposure period.