

[The EUROSAI/ECIIA TASK FORCE PROPOSAL, Warsaw, 20.05. 2010]

## ***EUROSAI – ECIIA COOPERATION AGREEMENT***

### ***BACKGROUND DOCUMENT***

#### **Introduction.**

The aim of this document is to present the rationale behind the proposed cooperation agreement between the European Organization of Supreme Audit Institutions [EUROSAI] and the European Confederation of Institutes of Internal Auditors [the ECIIA], providing a summary of the work done to date. This document also includes background information regarding INTOSAI and EUROSAI as well as the IIA and ECIIA.

#### **PART I: Rationale.**

The proposed cooperation agreement between EUROSAI and the ECIIA aims at optimizing and rationalizing the efforts of public sector auditors, both external and internal, in European countries. In the public sector, both the IIA and Supreme Audit Institutions [SAIs] aim at improving the management of public assets and at enhancing governance. An effective internal audit function is a fundamental component of good governance, providing those charged with governance with assurance regarding the efficiency and effectiveness of the public entity's operations, as well as with suggestions for improvement in all areas of control and governance. Thus, SAIs, as expressed in the INTOSAI standards, may make use of internal auditors' work and need to be in a position to recognize how internal audit can contribute to the overall system of governance in the public sector, if properly resourced.

International audit standards have been developed, for their respective purposes, by INTOSAI and the IIA at the global level. Since it is very useful to jointly develop the means to promote the proper implementation and application of the said global auditing standards, including uniform terminology, standards' interpretation and best practice criteria, the INTOSAI Professional Standards Committee and the IIA, in view of certain common objectives, in 2007 signed a memorandum of understanding regarding cooperation. Both organizations are committed to the development and implementation of international auditing standards and comparable audit criteria.

However, the SAIs as well as European affiliates of the IIA need to take into account the peculiar qualities of the European environment, plurality of bodies with different structures involved in the management and control of public funds (including EU funds), and cultural diversity within Europe, thus raising a number of Europe-specific issues. Therefore, it is essential to develop a common framework for the application and implementation of those global audit standards, including uniform terminology, consistent interpretation of standards, and best practice criteria (for, i. a. , audit criteria, auditing, reporting, communicating etc.) tailored down specifically to the European context.

More specifically, the purposes of cooperation between EUROSAI and the ECIIA are to

- facilitate the dialogue and knowledge sharing between the SAIs and internal auditors in the public sector in Europe;
- develop and share common understanding of the issues at stake in relation to public sector accountability and auditing, and of shared terminology with a special focus on auditing and controls;
- mutually understand each other's roles, responsibilities and expectations
- use or appropriately refer to the existing standards issued by various standards setting bodies.
- share experiences in implementing the existing professional practices' framework and standards;
- mutual consultations on issues of common interest, and development of common position papers where appropriate.

The actions that are being considered in connection with cooperation between the ECIIA and EUROSAI may include:

1. making mutually available appropriate publications, tools and resources to facilitate their work;
2. presenting in advance to the other party for review any relevant position papers or standards before finalization;
3. keeping mutually informed of their initiatives relating to the public sector.
4. creating a common working group, as deemed appropriate, in order to identify and implement specific projects intended to promote the aforementioned objectives, by means of, for example:
  - i. conferences or seminars
  - ii. training activities
  - iii. publications
  - iv. research works
  - v. information exchange among affiliates

A formal cooperation agreement will be the first step toward establishing an on-going cooperation scheme between EUROSAI and the ECIIA, which will enable both organizations to benefit from each other's work and core competencies, to promote knowledge sharing along a lines of "progress through sharing" (the IIA motto) and "Experientia mutua omnibus prodest" (the INTOSAI motto). Thus, the cooperation agreement for Europe will

contribute to accomplishing the objectives of the global cooperation agreement concluded between the IIA and INTOSAI.

## **PART II: Background information (INTOSAI, EUROSAI, IIA Global, ECIIA).**

### **The International Organization of Supreme Audit Institutions (INTOSAI)**

INTOSAI is the global professional organization of supreme audit institutions (SAI) in countries that belong to the United Nations or its specialized agencies. For more than 50 years it has provided a framework for SAIs to promote development and transfer of knowledge and improve government auditing worldwide as well as enhance professional capacities, standing and influence of member SAIs in their respective countries. SAIs play a major role in external auditing government accounts and operations and in promoting sound financial management and overall accountability in their governments. At present, INTOSAI has 189 Full Members and 4 Associated Members.

([www.intosai.org](http://www.intosai.org)).

### **EUROSAI:**

EUROSAI (the European Organization of Supreme Audit Institutions) is one of the Regional Groups of INTOSAI; EUROSAI was established in 1990 and its members include 49 European SAIs and the European Court of Auditors (Annex 1). The objectives of EUROSAI are to promote professional co-operation among European SAI members, to encourage the exchange of information and documentation, to advance the study of public sector audit, to stimulate the creating of university professorships in this subject and to work towards the harmonization of terminology in the field of public audit. ([www.eurosai.org](http://www.eurosai.org)).

### **The Institute of Internal Auditors (the IIA)**

The IIA is an international professional association, with 112 Institutes worldwide and over 170,000 members and global headquarters in Florida, USA. The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security ([www.theiia.org](http://www.theiia.org)).

### **ECIIA:**

The ECIIA (European Confederation of Institutes of Internal Auditing) represents the Internal Audit profession in the wider geographic area of Europe and the Mediterranean basin. Its objectives are to promote the profession of internal auditing - its benefits, competencies, standards and qualifications - to all institutions, bodies, committees and people of influence within its member countries. It undertakes research on topics relating to internal audit, business control, risk management and corporate governance. It also publishes position papers, briefings reports and a quarterly newsletter ([www.eciia.org](http://www.eciia.org)) (Annex 1).

### **PART III: Progress to date**

In June 2009, Jacek Jezierski, Chair of the EUROSAI Governing Board met with the President of the ECIIA Management Board, Elisabeth Styf and the Chair of the ECIIA Advocacy Committee Roland Muelder. The participants agreed that the initiative of developing a cooperation agreement between EUROSAI and ECIIA, based on the existing IIA-INTOSAI-Professional Standards Committee Memorandum of Understanding was worth exploring in the European context.

They also agreed that:

- each party (EUROSAI and ECIIA) should create a task force (3-4 individuals representing each entity) who will jointly prepare a draft of the agreement document;
- the project will be coordinated by the Supreme Audit Office (Polish SAI; the current Chair organization of the EUROSAI). Maria Zacharczuk-Kakietek, CAE<sup>1</sup> in the Supreme Audit Office , and a member of the IIA Global Public Sector Committee; Aleksandra Kukuła Head of International Relations Unit will take the lead of the project within the Supreme Audit Office;
- the cooperation agreement would focus on issues related to the practical application of international auditing standards;
- the first stage in the process should be to agree on appropriate terminology relevant to the public sector;

During the 35th session of the EUROSAI Governing Board (GB) in Kyiv, Jacek Jezierski asked the GB members for their approval of the idea of the Polish Presidency taking some preparatory steps for setting up cooperation with the ECIIA. Mr. Jezierski received a unanimous support from the GB. At the same time, the proposal to start working on a cooperation agreement with EUROSAI was accepted by the ECIIA Management Board (MB) during their meeting in Rome in the Fall of 2009. The joint task force was created and includes the following members:

#### **EUROSAI:**

- Maria Zacharczuk-Kakietek, CAE SAI Poland.
- Aleksandra Kukuła, Head of International Relations Unit SAI Poland.
- Grzegorz Haber, International Relations Unit SAI Poland.
- Robert Devos, Director of the Office of the President, Belgian Court of Audit, member of INTOSAI Internal Control Standards Subcommittee and task force for 2007 Memorandum of Understanding with the IIA.
- Francois-Roger Cazala, conseiller maitre in the French Court of Audit.

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<sup>1</sup> CAE= "Chief Audit Executive"

## **ECIIA:**

- Carolyn Dittmeier, CAE Poste Italiane, Past President IIA Italy and ECIIA MB member
- Phil Tarling, Director - International Projects | Internal Audit & Risk Management RSM Tenon, Vice Chairman IIA Global and Vice Chairman ECIIA
- Tzvetan Tzvetkov ,Chairman IIA Bulgary, CAE Bulgarian National Audit Office and the ECIIA MB member
- Brian Gray, CAE European Commission Internal Audit Services

The first meeting of the joint task forces took place in Warsaw on 10 December, 2009. The general objective of the meeting was to lay down the foundation for further work on the agreement by defining specific terms of reference and areas of common interests and goals.

A summary of the minutes from the meeting follow:

Present at the meeting were:

**ECIIA:** Carolyn Dittmeier, Phil Tarling

**EUROSAI:** Maria Zacharczuk-Kakietek (chair), Aleksandra Kukuła, Grzegorz Haber, Robert Devos

The participants were welcomed and introduced by Jacek Jezierski, the President of the Supreme Audit Office (Polish SAI) and Chair of the EUROSAI Governing Board.

- Carolyn Dittmeier noted that the main goal of the meeting was to formally launch the task force and to brainstorm and explore areas which should be covered under future cooperation between EUROSAI and the ECIIA.
- Maria Zacharczuk-Kakietek summarized the rationale behind the cooperation between EUROSAI and the ECIIA. She pointed to the artificial divide between public and private sector auditing, remarking that internal audit was introduced to the public sector relatively late, and should draw from the experience of internal audit in the private sector.

**Discussion of EUROSAI and ECIIA strategic foci and activities in order to understand potential common interests**

- It was agreed that the cooperation will focus on the dissemination of information about the existing standards and on facilitating of the implementation of those standards rather than on producing new standards since development of new standards falls within the purview of INTOSAI and the IIA Global
- The principal point to be highlighted in the cooperation agreement should be possible unification and standardization of terminology used in audit context in the private and public sector. Maria Zacharczuk-Kakietek

distributed a glossary prepared by Polish auditors from the public sector which could be used as a starting point for discussion.

- It was agreed that the organizations should work together to contribute to a better understanding of internal control, emphasize the importance of different internal control systems and facilitate the implementation of internal auditing guidelines; exchange of good practices regarding good governance, and exchange of appropriate tools between EUROSAI and the IIA; they should also promote exchange between IIA affiliates and SAIs of good practices regarding governance and appropriate tools; shared training activities should also be considered.
- Maria Zacharczuk-Kakietek suggested that the memorandum should serve as an advocacy tool for both sets of standards on the European level. She also proposed promoting the first edition of the INTOSAI “General Guidelines for SAI Trainers” and considering possibilities to use them as a pattern to future guidelines for training trainers regarding external as well as internal auditors on the fields which are common for both groups of public sector auditors.
- To reach such objectives, the future cooperation between the organizations should foresee collection of information about practices and standards actually used in the individual European countries.
- Robert Devos suggested that the memorandum should emphasize "good governance" as the principal goal for both the ECIIA and EUROSAI.
- Carolyn Dittmeier suggested including risk analysis as one of the areas covered in the memorandum. She mentioned that *“sensitivity to ethics and fraud risk and prevention has increased significantly in recent years. Its process must be an integral part of enterprise risk management however the assessment of ethics and fraud risk is specific and should be performed within a comprehensive framework. Ethics and fraud risk has been explored recently in a joint effort among interested associations in particular in the private sector. The framework that emerged, together with other international guidelines, should be transferred to the European public sector adapting it appropriately to the public sector environment and processes. While reputational risk is the ultimate risk, it is a consequence of several risk events and drivers including financial reporting, manipulation of assets, legal and corruption issues, and other risks, each of which have significant connections to the information technology employed in the entity. A proper Fraud prevention program, that is needed by all entities, is only possible with an adequate risk assessment process. A task force to produce a practical guidance ethics and fraud risk assessment guidelines in the Public Sector, endorsed by EUROSAI and ECIIA, is proposed.”*

- Maria Zacharczuk-Kakietek suggested that in the future activities, the task force should attempt to direct all auditors to paying more attention to the reputation risk linked to the remuneration system.

It was agreed that the text of memorandum should be concise and that it should not cover particular cooperation details. It was also agreed that some specific future activities should be mentioned, including (but not limited to)

- Utilizing the recently published INTOSAI “General Guidelines For Sai Trainers” in both external and internal auditor fields which are common for both groups of public sector auditors, as mentioned above.
- development of an ethics and fraud risk management models considering the increasing sensitivity to ethics and fraud risk and prevention in recent years and the need for its process to be an integral part of enterprise risk management but also performed within a specific comprehensive framework. A task force to produce a practical guidance ethics and fraud risk assessment guidelines in the Public Sector, endorsed by EUROSAI and the ECIIA, taking into account the recent publication on Ethics and fraud risk management (AICPA, ACFE, IIA).and adapting the framework that emerged, together with other international guidelines, to the European public sector.
- A focus program on reputational risk linked to the remuneration system.

#### **Action Points:**

- Members of the task force will review all the materials distributed at the Warsaw meeting and send ideas and notes concerning the memorandum to Maria Zacharczuk - Kakietek by mid March 2010.  
A teleconference will be held to discuss all issues and Maria Zcharczuk-Kakietek will prepare draft proposal of the memorandum of understanding, as well as other needed papers for final review by the members of the task force.
- A complete draft of the memorandum of understanding will be ready by the end of May 2010 and submitted to the Governing Boards of EUROSAI and the ECIIA for adoption .
- The formal ceremony for final signature should take place in the occasion of the ECIIA Annual Congress in Warsaw in October.

## Annex 1

AFFILIATES ECIIA-EUROSAI	ECIIA	EUROSAI
Albania		●
Andorra		●
Armenia		●
Austria	■	●
Azerbaijan	■	●
Belarus		●
Belgium	■	●
Bosnia and Herzegovina	■	●
Bulgaria	■	●
Croatia	■	●
Cyprus	■	●
Czech Republic	■	●
Denmark	■	●
Estonia	■	●
Finland	■	●
The former Yugoslav Republic of Macedonia		●
France	■	●
Georgia		●
Germany	■	●
Greece	■	●
Hungary	■	●
Iceland	■	●
Ireland (1)	■	●
Israel	■	●
Italy	■	●

Khazastan		●
Latvia	■	●
Liechtenstein		●
Lithuania	■	●
Luxembourg	■	●
Malta		●
Marocco (*)	■	
Moldavia		●
Monaco		●
Montenegro		●
Norway	■	●
Poland	■	●
Portugal	■	●
Romania	■	●
Russian Federation		●
Serbia		●
Slovak Republic		●
Slovenia		●
Spain	■	●
Sweden	■	●
Switzerland	■	●
The Netherlands	■	●
Tunisia (*)	■	
Turkey	■	●
Ukraine		●
United Kingdom (1)	■	●

(1) Related to the same chapter "United Kingdom and Ireland"

**Timing Update**  
**as of 13 May April 2010**

✚ August 2009	✚ Kick off meeting in Warsaw
✚ 10 December 2009	✚ Planning Meeting in Warsaw-set up of Task Force
✚ January 2010	✚ Exchange of pertinent documents
✚ 5 February	✚ Teleconference with the IIA Advocacy Committee
✚ 3 March 2010	✚ Draft of Cooperation Agreement finalized by MZ and CD, to be circulated to Task Force Members by MZ
✚ mid May	✚ Finalization of draft Cooperation Agreement by Task Force Members
✚ 23 April 2010	✚ Conference Call Task Force for finalization of draft Cooperation Agreement
✚ June	✚ Task Force Members to define Project priorities
✚ 28 May	✚ ECIIA Board Meeting to review/approve draft of Cooperation Agreement
	✚ EUROSAI GB review, date to be defined
✚ 15-16 October	✚ Formal signing of Draft of Cooperation Agreement at Warsaw during ECIIA Conference