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Given the *Journal's* use as a teaching tool, articles most likely to be accepted are those that deal with pragmatic aspects of public sector auditing. These include case studies, ideas on new audit methodologies, or details on audit training programs. Articles that deal primarily with theory would not be appropriate.

The *Journal* is distributed to INTOSAI members and other interested parties at no cost. It is also available electronically at <http://www.intosai.org> and by contacting the *Journal* at [spel@gao.gov](mailto:spel@gao.gov).

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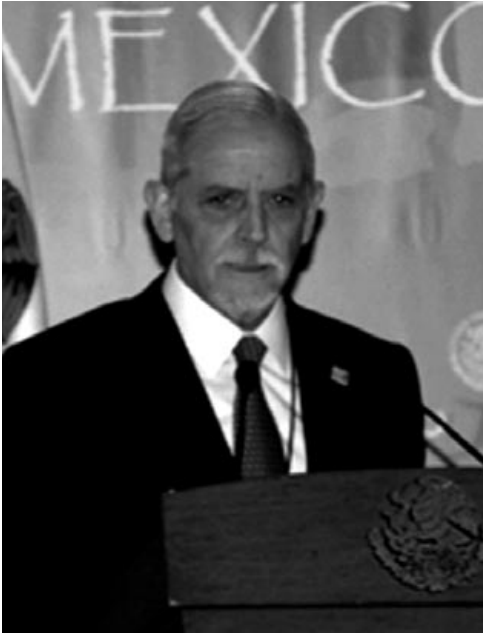
## contents

<b>XIX INCOSAI at a Glance . . . . .</b>	<b>1</b>
<b>INTOSAI Organization Chart. . . . .</b>	<b>3</b>
<b>Documents Endorsed by the XIX INCOSAI . . . . .</b>	<b>6</b>
<b>Goal 1 Report: Accountability and Professional Standards. . . . .</b>	<b>7</b>
<b>Goal 2 Report: Institutional Capacity Building . . . . .</b>	<b>17</b>
<b>Goal 3 Report: Knowledge Sharing . . . . .</b>	<b>24</b>
<b>Goal 4 Report: Model International Organization . . . . .</b>	<b>31</b>
<b>Mexico Accords. . . . .</b>	<b>35</b>
<b>Conclusion of Congress. . . . .</b>	<b>53</b>
<b>INTOSAI Calendar . . . . .</b>	<b>57</b>

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## XIX INCOSAI at a Glance



Arturo González de Aragón, Auditor General of Mexico and host of the XIX INCOSAI, welcomed delegates to Mexico.



His Excellency, Felipe de Jesús Calderón, President of Mexico, officially inaugurated the congress, highlighting the essential role that SAIs play in helping to ensure accountability and transparency in governance.

*editor's note*

This issue is dedicated to the XIX International Congress of Supreme Audit Institutions (INCOSAI), which was hosted by Arturo González de Aragón and the Auditoría Superior de la Federación de México and held in Mexico City November 5–10, 2007.

- The XIX INCOSAI was the largest in INTOSAI history: 480 delegates from 145 supreme audit institutions (SAI), 21 observers from 10 institutions, and 59 accompanying persons.
- INTOSAI membership grew to 188 nations with the admission of the SAIs of Montenegro and Singapore.
- The *Mexico Accords* were adopted unanimously. The *Accords* cover the discussions, conclusions, and recommendations from theme 1 (management, accountability, and audit of public debt) and theme II (performance assessment systems based on accepted key indicators).
- Several changes were made to goal 3 working groups:
  - A working group on national indicators was established to carry forward theme II recommendations; the chair is the SAI of the Russian Federation.
  - The Task Force on the Fight Against International Money Laundering became the Working Group on the Fight Against International Money Laundering and Corruption.
  - The Working Group on Privatization became the Working Group on Privatization, Economic Regulation, and Public-Private Partnerships to reflect the broader scope of its work.



### Congress Logo

The preservation, allocation, and use of public resources and Mexico's historical heritage can be traced back to the pre-Columbian era. Thus, the logo for the XIX INCOSAI shows the image of Calpixque, who was responsible for the accounting, management, and distribution of tributes received in the ancient Aztec, or Mexica, empire—making him the most ancient prototype of accountability in Mexico. Calpixque's crooked staff symbolized the authority bestowed upon him to perform his duties.

The symbol in the lower left-hand corner of the logo represents the number 19 in the Mesoamerican numeration system, which originated in the earlier Mayan culture. Each of the three lines represents five units and each dot represents one unit, totaling 19, the number corresponding to the XIX INCOSAI.

- The Task Force on the Accountability for and Audit of Disaster-related Aid became the Working Group on the Accountability for and Audit of Disaster-related Aid.
- Eighteen official INTOSAI documents were adopted, including the *Mexico Declaration on SAI Independence* and standards, guidelines, and best practices in such areas as financial and performance auditing, environmental auditing, and the audit of public debt. The documents are available online at <http://www.issai.org> and are listed on p.6.
- The *Report of the Chairman of the Finance and Administration Committee* described the many initiatives adopted by the board and the congress in support of INTOSAI's goal to become a model organization.
- INTOSAI membership dues were increased for the first time since 1983.
- The congress voted to continue the position of Director of Strategic Planning, and Kirsten Astrup from the SAI of Norway was elected to succeed Klaus-Henning Busse in that role.
- The Jorg Kandutsch Award went to the SAI of Kuwait, and the Elmer Staats Award went to four authors (Noel Carisse, Lilian Cotnoir, Carolle Mathieu, and John Reed) from the Office of the Auditor General of Canada for their article, "Making the World a Better Place to Live One Audit at a Time: Improving Governance and Accountability in Environmental Protection," in the April 2004 *International Journal of Government Auditing*.
- The XX INCOSAI will be hosted by the Auditor General of South Africa in Johannesburg November 15–20, 2010.



John Reed accepted the coveted Elmer B. Staats Award for the *Journal* article on environmental auditing that he co-wrote with three colleagues from the Office of the Auditor General of Canada.

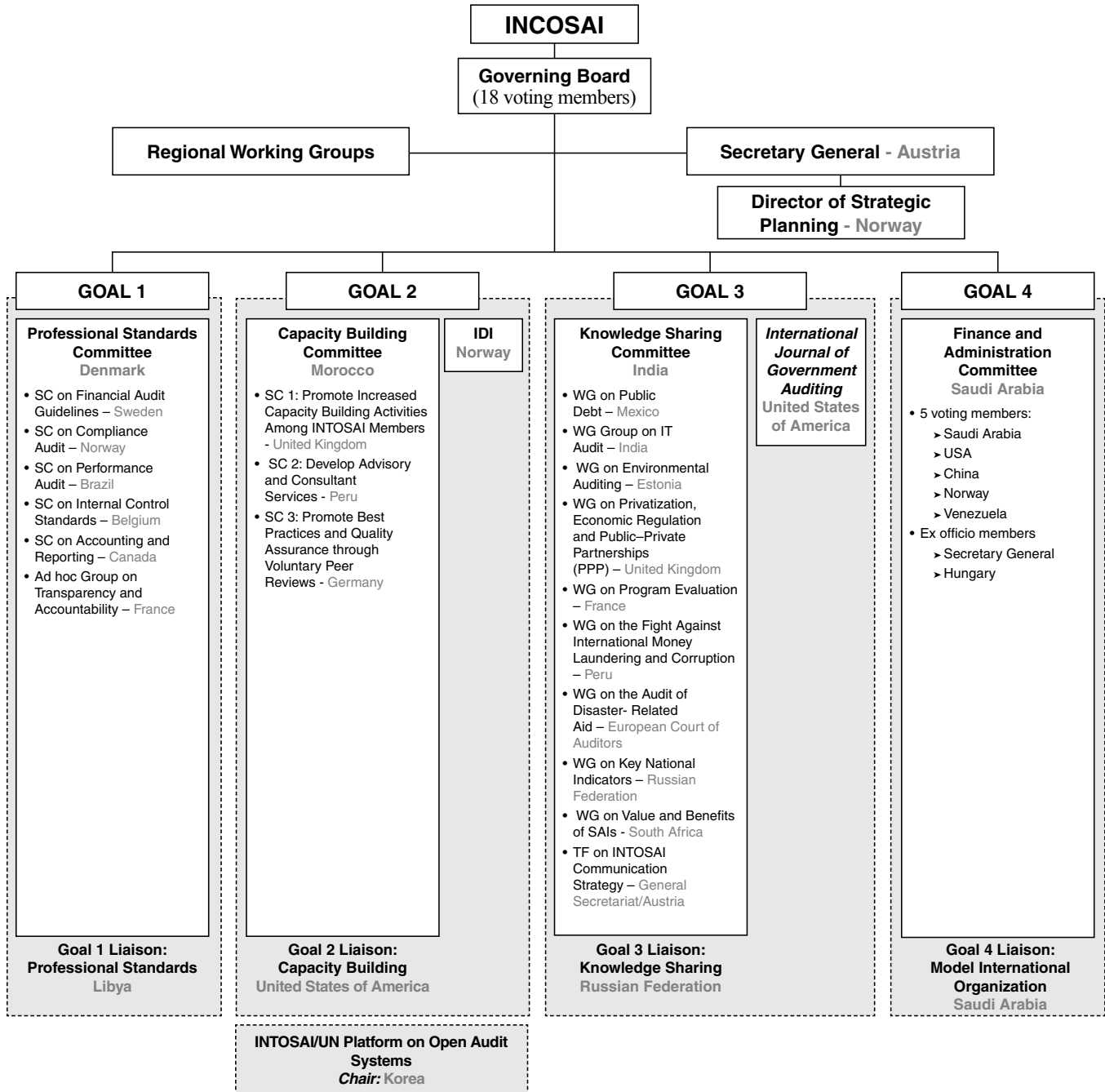


Barrak Khaled Al-Marzouq, President of the State Audit Bureau of Kuwait, received the prestigious Jorg Kandutsch Award, which recognizes that SAI's significant contributions to INTOSAI, from Josef Moser, Secretary General of INTOSAI.



# INTOSAI Organization Chart

The current organization chart for INTOSAI reflects its realignment in accordance with the strategic plan and the changes in structure and staffing that were adopted at the XIX INCOSAI.



**LEGEND:**  
 SC = Subcommittee  
 WG = Working Group  
 TF = Task Force





## XIX INCOSAI, Mexico City November 5-10, 2007



Following the opening ceremony, delegates, observers, and accompanying persons gathered for the official congress photo in La Plaza de la Constitución, informally called El Zócalo, in the historic center of Mexico City.





## Documents Endorsed by the XIX INCOSAI

The XIX INCOSAI endorsed the following documents presented by INTOSAI committees and subcommittees.

<b>Professional Standards Committee</b>	
	<i>International Standards of Supreme Audit Institutions—INTOSAI's Framework of Professional Standards</i>
<b>PSC Subcommittee on SAI Independence</b>	
ISSAI 10	<i>Mexico Declaration on SAI Independence</i>
ISSAI 11	<i>INTOSAI Guidelines and Good Practices Related to SAI Independence</i>
ISSAI 11A	<i>Appendix—Results of Case Studies</i>
<b>PSC Subcommittee on Financial Audit Guidelines</b>	
ISSAI 1220	<i>Financial Audit Guideline—Quality Control for Audits of Historical Financial Information</i>
ISSAI 1230	<i>Financial Audit Guideline—Audit Documentation</i>
ISSAI 1260	<i>Financial Audit Guideline—Communication of Audit Matters with Those Charged with Governance</i>
ISSAI 1300	<i>Financial Audit Guideline—Planning an Audit of Financial Statements</i>
ISSAI 1315	<i>Financial Audit Guideline—Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and Its Environment</i>
ISSAI 1330	<i>Financial Audit Guideline—The Auditor's Responses to Assessed Risks</i>
ISSAI 1450	<i>Financial Audit Guideline—Evaluation of Misstatements Identified during the Audit</i>
ISSAI 1800	<i>Financial Audit Guideline—Special Consideration—Audits of Special Purpose Financial Statement</i>
ISSAI 1805	<i>Financial Audit Guideline—Engagements to Report on Summary Financial Statements</i>
<b>PSC Subcommittee on Internal Control Standards</b>	
INTOSAI GOV 9130	<i>Guidelines for Internal Control Standards for the Public Sector—Further Information on Entity Risk Management</i>
<b>Working Group on Privatization, Economic Regulation and Public/Private Partnerships</b>	
ISSAI 5220	<i>Guidelines on the Best Practice for the Audit of Public/Private Finance and Concessions (revised)</i>
<b>Working Group on Public Debt</b>	
ISSAI 5422	<i>An Exercise of Reference: Terms to Carry Out Performance Audit of Public Debt</i>
ISSAI 5440	<i>Guidance for Conducting a Public Debt Audit—The Use of Substantive Tests in Financial Audits</i>
<b>Finance and Administration Committee</b>	
	<i>INTOSAI Communication Policy</i>

### Legend

ISSAI = International Standard of Supreme Auditing Institutions

INTOSAI GOV = INTOSAI Guidance on Good Governance

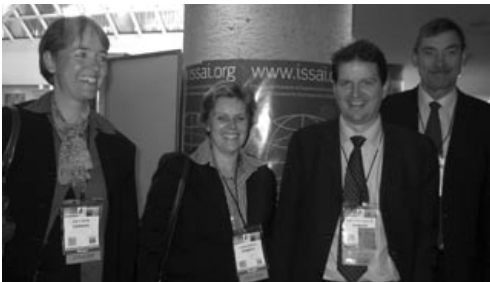




## Goal 1 Report: Accountability and Professional Standards

Henrik Otbo, Auditor General of Denmark and the chairman of INTOSAI's Professional Standards Committee (PSC), presented the PSC's report to the Governing Board and INCOSAI in November 2007. The report affirmed the PSC's purpose—promoting strong, independent, and multidisciplinary SAIs and encouraging SAIs to lead by example and develop appropriate and effective professional standards. The report also summarized the work of the PSC and its subcommittees since 2004, the PSC's planned work for 2007-2010, and the list of documents presented to the XIX INCOSAI for endorsement. The Congress unanimously approved the report and endorsed the documents.

As demonstrated by the report, the PSC has come a long way since it was formally established in 2004. Mr. Otbo acknowledged several factors that contributed to that progress—first, the fact that some of the subcommittees had already been created and were working very efficiently when the PSC was established and, second, the dedicated work of the PSC steering committee, which was set up at the inaugural meeting in 2005. The steering committee quickly launched new initiatives and formulated a set of strategic goals to safely guide the committee's work. Mr. Otbo reported that all the goals had been accomplished.



PSC Chair Henrik Otbo (right) and his staff from the Danish SAI made themselves available at the goal 1 exhibit to discuss the committee's work with delegates.

The PSC consists of six subcommittees: the Subcommittee on SAI Independence, the Financial Audit Guidelines Subcommittee (FAS), the Performance Audit Subcommittee (PAS), the Compliance Audit Subcommittee (CAS), the Internal Control Standards Subcommittee, and the Accounting and Reporting Subcommittee. In addition, the PSC has established projects on transparency and accountability and audit quality control.

The PSC's 16-member steering committee includes the SAIs of Bahrain, Belgium, Brazil, Cameroon, Canada, China, Denmark, France, Italy, Morocco, New Zealand, Norway, Portugal, Sweden, the United States, and Zimbabwe. Since its inaugural meeting in Oslo, Norway, in August 2005, the steering committee has met three more times, with the latest meeting being held in Manama, Bahrain, in April 2007.

The following sections summarize the PSC's progress in achieving its strategic goals under goal 1 of the INTOSAI strategic plan, the work of the PSC's subcommittees, and the publications endorsed by the congress.

<b>GOAL 1</b>
<p style="text-align: center;"><b>Professional Standards Committee Denmark</b></p> <ul style="list-style-type: none"> <li>• SC on Financial Audit Guidelines – Sweden</li> <li>• SC on Compliance Audit – Norway</li> <li>• SC on Performance Audit – Brazil</li> <li>• SC on Internal Control Standards – Belgium</li> <li>• SC on Accounting and Reporting – Canada</li> <li>• Ad-hoc Group on Transparency and Accountability – France</li> </ul>
<p><b>Goal 1 Liaison: Professional Standards Libya</b></p>

## Development of a Common Framework for All INTOSAI Professional Standards

INTOSAI's strategic plan for 2005-2010 proposed that an up-to-date professional standards framework relevant to INTOSAI members be developed. The PSC therefore elaborated a framework of professional standards with the assistance of many INTOSAI members and in cooperation with the chair of goal 3 of the INTOSAI strategic plan. After the PSC steering committee and the INTOSAI Governing Board approved the framework in 2006, it was distributed to all SAIs for comment in December 2006.

All existing and new INTOSAI standards and guidelines have been merged into a common framework called International Standards of Supreme Auditing Institutions (ISSAI). Documents issued by INTOSAI concerning guidance to administrative authorities—on topics such as internal controls and accounting—are called INTOSAI Guidance on Good Governance (INTOSAI GOV). All the standards and guidelines are numbered in accordance with a set of classification principles and published on INTOSAI's new official Web site for professional standards: <http://www.issai.org>. Table 1 presents the framework.



The new ISSAIs were made available to delegates throughout the week at the PSC exhibit.

**Table 1: International Standards of Supreme Audit Institutions (ISSAI)—INTOSAI's Framework of Professional Standards**

Level 1 - Founding Principles	
ISSAI 1	<i>The Lima Declaration</i>
Level 2 - Prerequisites for the Functioning of SAIs	
ISSAI 10	<i>The Mexico Declaration on SAI Independence</i> (INCOSAI 2007)
ISSAI 11	<i>Guidelines and Good Practices Related to SAI Independence</i> (INCOSAI 2007)
ISSAI 20	<i>Principles of Transparency and Accountability</i> (planned for 2010)
ISSAI 30	<i>Code of Ethics</i>
ISSAI 40	<i>Audit Quality</i> (planned for 2010)
Level 3 - Fundamental Auditing Principles	
ISSAI 100	<i>Auditing Standards—Basic Principles</i>
ISSAI 200	<i>Auditing Standards—General Standards</i>
ISSAI 300	<i>Auditing Standards—Field Standards</i>
ISSAI 400	<i>Auditing Standards—Reporting Standards</i>
(ISSAI 500-900 reserved for future principles)	
Level 4 - Auditing Guidelines	
<i>Implementation guidelines</i>	
ISSAI 1000–2999	Financial Audit Guidelines (including guidelines based on International Standards of Auditing)
ISSAI 3000-3999	Performance Audit Guidelines
ISSAI 4000-4999	Compliance Audit Guidelines (pending)
<i>Specific guidelines</i>	
ISSAI 5000-5099	International Institutions
ISSAI 5100-5199	Environmental Audit
ISSAI 5200-5299	Privatization
ISSAI 5300-5399	IT Audit
ISSAI 5400-5499	Audit of Public Debt
INTOSAI Guidance for Good Governance	
INTOSAI GOV 9100-9199	Internal Control Standards
INTOSAI GOV 9200-9299	Accounting Standards

While this framework will not affect the content of existing documents, its systematic classification of the documents and new common name will promote general knowledge of the standards and guidelines and facilitate their practical use in the INTOSAI community and in public administration in general.

At the same time that the framework was being circulated for comment to all SAIs in December 2006, the PSC surveyed SAIs on needs and priorities in developing

professional auditing standards and guidelines. The survey results provided input to the present structure of the framework and the future development of ISSAIs and INTOSAI GOVs. The survey showed that

- about three-quarters of all SAIs use INTOSAI auditing standards, often in combination with standards from other sources;
- almost all SAIs feel that INTOSAI guidelines are needed and should be further developed; and
- there is widespread consensus that differences between public and private sector auditing create the need for special public sector auditing guidance in some areas.

### Subcommittee Accomplishments

The chairs of the PSC subcommittees reported on subcommittee accomplishments and projects.

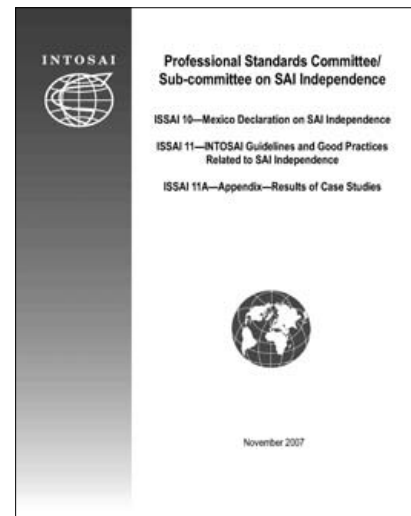
#### *Subcommittee on SAI Independence—Mexico Declaration on SAI Independence (ISSAI 10)*



Sheila Fraser (right), Chair of the Subcommittee on SAI Independence, presented the *Mexico Declaration* for endorsement by the congress. She is accompanied by key staff member Jean St. Marie (left).

a collaborative and consultative process that was tested through case studies of selected SAIs and a related survey questionnaire. The adoption of this charter at the XIX INCOSAI was an important milestone in the history of INTOSAI. The congress also approved ISSAI 11—*Guidelines and Good Practices Related to SAI Independence* and ISSAI 11A—*Appendix—Results of Case Studies*. With the completion of these publications, the subcommittee’s work was completed and the subcommittee was dissolved.

Sheila Fraser, the Auditor General of Canada, reported on behalf of the Subcommittee on SAI Independence. Over the preceding 3 years, the subcommittee developed a charter on SAI independence (ISSAI 10: *Mexico Declaration on SAI Independence*) through



The Mexico Declaration on SAI Independence and related documents constitute a significant building block in the professional standards framework.



### *Project on Transparency and Accountability (ISSAI 20)*

The INTOSAI strategic plan for 2005-2010 calls for the development of accountability and transparency principles as an integral element of SAI efforts to lead by example. To promote the development of these principles, the PSC established a project on transparency and accountability, which is currently chaired by the SAI of France. Danielle Lamarque, the project chair and representative from France, reported that the project team analyzed topics related to accountability and transparency in the annual reports and on the Web sites of 23 SAIs and identified different methodologies used to report on performance, difficulties in defining quantitative performance indicators, and differences in definitions of stakeholders.

The project team also identified five main areas in which accountability and transparency need to be addressed: SAIs' mandates, responsibilities, missions, and strategies; audit standards and methods; management and finance; ethics; and reporting on activities. The team also plans to (1) draft a list of key information or features related to SAI structure, activities, and accountability that each SAI should make available to the public and (2) disseminate best practices that illustrate the guidelines that INTOSAI has promoted to date. ISSAI 20—*Draft Principles of Transparency and Accountability* was presented for approval by the congress.

### *Subcommittee on Financial Audit Guidelines (ISSAI 1000-2999)*

Karin Lindell, Auditor General of Sweden, gave the report on the development of financial audit guidelines. In accordance with its strategic goals for 2004-2007, the Subcommittee on Financial Audit Guidelines (FAS) developed globally accepted guidelines for the audit of financial statements. Each guideline comprises an International Standard on Auditing (ISA) developed by the International Federation of Accountants' International Auditing and Assurance Standards Board (IAASB) and a practice note developed by INTOSAI. (Additional ISSAIs not including an ISA will be developed for specific issues.) To date, the FAS has drafted 13 practice notes, 9 of which were presented to and endorsed by the congress:

- ISSAI 1220—*Quality Control for Audits of Historical Financial Information*
- ISSAI 1230—*Audit Documentation*
- ISSAI 1260—*Communication of Audit Matters with Those Charged with Governance*
- ISSAI 1300—*Planning an Audit of Financial Statements*
- ISSAI 1315—*Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and Its Environment*
- ISSAI 1330—*The Auditor's Responses to Assessed Risks*
- ISSAI 1450—*Evaluation of Misstatements Identified During the Audit*
- ISSAI 1800—*Special Consideration—Audits of Special Purpose Financial Statement*

- ISSAI 1805—*Engagements to Report on Summary Financial Statements*

Two additional documents were presented as exposure drafts:

- ISSAI 1000—*Implementation Guidelines on Financial Audit—Introduction*
- ISSAI 1320—*Materiality in Planning and Performing an Audit*

In addition, INTOSAI experts are currently developing 10 more practice notes (5 in ongoing IAASB task forces, 2 in a practice note task force, and 3 in a special expert team), and new task forces will be established in 2008.

Looking to the future, the subcommittee's goal is to present a comprehensive set of guidelines that will provide in-depth guidance for INTOSAI auditing standards by 2010. Although not compulsory, the guidelines will constitute an INTOSAI recommended best practice.

All guidance developed by the FAS is available for comment on its Web site (<http://psc.rigsrevisionen.dk/fas>). Each guideline has received between 10 and 20 comment letters, which have been very useful. The SAI community is encouraged to submit further comments to improve the usefulness and quality of the guidance.

#### ***Subcommittee on Performance Audit (ISSAI 3000-3999)***

The Subcommittee on Performance Audit (PAS) is chaired by the SAI of Brazil and comprises representatives from SAIs in different INTOSAI regions and the European Court of Auditors. Its purpose is to promote INTOSAI implementation guidelines for performance audit and to develop and disseminate other guidance that may be needed by the INTOSAI community to finalize the development of INTOSAI performance audit guidelines (ISSAI 3000-3999).

Since its establishment in 2005, the PAS has consulted with the INTOSAI Development Initiative about its approach to performance audit training and ways that INTOSAI guidelines fit into that training. In addition, technical staff at the Brazilian Court of Audit analyzed the results of the PSC survey on the use of INTOSAI and other standards and concluded that a significant demand exists to develop additional performance audit guidelines beyond ISSAI 3000—*Implementation Guidelines for Performance Auditing*, which was endorsed by INCOSAI in 2004.

Over the next 3 years, the PAS will continue to follow up on the survey results with the INTOSAI community to identify specific needs for additional guidelines and develop drafts to supplement the ISSAI 3000 guidelines. The PAS will develop draft guidelines on applied qualitative and quantitative methods used in performance audits (ISSAI 3100).



The congress endorsed nine documents prepared by the Subcommittee on Financial Audit Guidelines.

In addition, the PAS intends to use the results of IDI's 2007 needs assessment for future capacity building to identify regional demands for additional performance audit training. The PAS will also continue to promote international cooperation among agencies and provide capacity-building assistance in performance audit for SAIs.

#### ***Subcommittee on Compliance Audit (ISSAI 4000-4999)***

The Subcommittee on Compliance Audit's (CAS) overall objective is to develop INTOSAI guidelines for compliance audit. Since it was established in 2004 the CAS has presented information and issue papers giving an overview of the different mandates SAIs have regarding compliance audits and clarifying the term "compliance audit." Jørgen Kosmo, the Auditor General of Norway, reported that as the CAS sought to develop practical guidance on how compliance audits should be planned, executed, and reported, it focused its efforts on the integral relationship of compliance audits to audits of financial statements. The CAS presented to the XIX INCOSAI an exposure draft of ISSAI 4100—*Compliance Audit Guidelines Related to Audit of Financial Statements*

For 2007-2010, the CAS will incorporate comments received on ISSAI 4100 and finalize the development of a complete set of compliance audit guidelines, including ISSAI 4000—*A General Introduction to Guidelines on Compliance Audit* and ISSAI 4200—*Further Guidance on the Broader Scope of Compliance Audit*, which will provide guidance on compliance audit as part of performance audit or as a separate audit type. The complete guidelines will be presented at INCOSAI 2010.

#### ***Subcommittee on Internal Control Standards (INTOSAI GOV 9100-9199)***

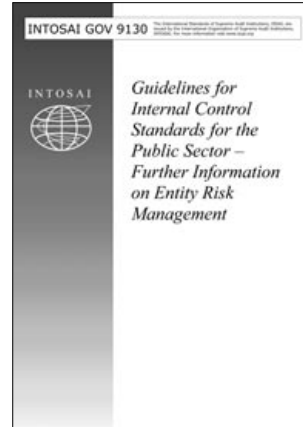
F. Vanstabel, the Senior President of the Court of Accounts of Belgium, presented the report of the Subcommittee on Internal Controls. In 2004–2007, the subcommittee focused on elaborating and marketing INTOSAI GOV 9100—*Guidelines for Internal Control Standards for the Public Sector*, which was endorsed at the XVIII INCOSAI. A survey of INTOSAI members indicated a need for internal control tools and guidance on governance. Rather than creating new tools and guidance, the subcommittee focused on making existing internal control tools and guidance available to all SAIs through the PSC's Web site, thus creating an electronic platform in the short term. In the future, INTOSAI members will be asked to provide the subcommittee with existing material that can be made available on the platform, leading to the development of a central index.

Given the significant shift in the last few years toward risk management implementation based on the Treadway Commission's COSO Enterprise Risk Management (ERM) framework, the subcommittee introduced the ERM framework as an explanatory document to INTOSAI GOV 9100. The new document endorsed at



the congress, INTOSAI GOV 9130—*Further Information on Entity Risk Management*, explains the relationship between the guidelines and the ERM model and provides an overview of the key features of the ERM model.

In 2008–2010, the subcommittee will carry on its efforts to enhance the application of INTOSAI GOV 9100—*Guidelines for Internal Control Standards for the Public Sector* by focusing on making existing internal control tools and guidance available to all SAIs through the PSC’s Web site, as well as further developing and augmenting the guidelines by monitoring their support and acceptance.



### ***Subcommittee on Accounting and Reporting (INTOSAI GOV 9200-9299)***

At the congress, the chairmanship of the Subcommittee on Accounting and Reporting was passed from David Walker, Comptroller General of the United States, to the Auditor General of Canada. The subcommittee has primarily been participating in the accounting standard-setting meetings of the International Federation of Accountants’ (IFAC) International Public Sector Accounting Standards Board (IPSASB), which allowed it to provide input during the development of exposure drafts of accounting standards as well as the deliberations on the final standards. During the past 3 years, the IPSASB issued 4 new standards and updated 12 International Public Sector Accounting Standards (IPSAS), including amendments to the standard on the cash basis of accounting.

As the IPSASB looks to future projects—including conceptual frameworks, social benefits, long-term fiscal sustainability, impairment of cash-generating assets, employee benefits, financial instruments, service concession arrangements, external assistance, entity combinations, heritage assets, and improvements to IPSAS—the subcommittee will continue to participate in discussions, update the INTOSAI membership about current activity, and facilitate information exchanges among SAIs.

### **PSC Goals for 2007-2010**

In 2007–2010, the PSC will continue to develop and promote the ISSAIs by providing practical guidelines on financial, compliance, and performance audits and other areas of importance to SAIs.

Specifically, the PSC will work to

- harmonize public sector audit internationally by coordinating with other standard-setting bodies and developing supplementary guidance in areas where SAIs have special needs,

- give high priority to ensuring clear and user-friendly guidance on the special role of SAIs and particular features of public sector auditing, and
- prepare a decision on permanent maintenance of the set of ISSAIs.

The PSC set the following strategic goals to be accomplished before the next INCOSAI in 2010:

- Present a set of principles on transparency and accountability for approval (ISSAI 20).
- Present a set of principles on SAI audit quality control (ISSAI 40).
- Present a comprehensive set of implementation guidelines on financial audit (ISSAI 1000-2999) that, to the greatest extent possible and appropriate, are based on the International Auditing Standards (ISA) issued by the International Federation of Accountants and contain practice notes and supplementary guidance on issues of special importance to SAIs.
- Present a comprehensive set of implementation guidelines on performance audit (ISSAI 3000-3999). In addition to the existing performance audit guidelines (ISSAI 3000), the committee will consider guidelines for smaller scale performance audit tasks, e.g., audits of performance statements.
- Present a comprehensive set of implementation guidelines on compliance audit (ISSAI 4000-4999) that meet the needs of the various tasks of SAIs, taking into consideration the differences in their legal status and mandates.
- Continue to provide and promote INTOSAI Guidance for Good Governance (INTOSAI GOV).
- Continuously make all relevant documents accessible at <http://www.issai.org> in a user-friendly format. This task will be carried out in close cooperation with the goal liaison and working groups of goal 3, the Capacity Building Committee, and INTOSAI's General Secretariat.
- Present a proposal for a permanent structure and mandate for the continuous updating and improvement of the ISSAIs that is to be effective after 2010, following approval by the XX INCOSAI.
- Continue partnerships with other external standard setters in order to facilitate knowledge sharing and cooperation.



## Goal 2 Report: Institutional Capacity Building

In presenting his report to the congress, Capacity Building Committee (CBC) chair Ahmed El-Midaoui, First President of the Court of Accounts of Morocco, noted that capacity building is central to the INTOSAI strategic plan’s vision of strengthening SAIs globally. It will allow them, he said, to help their respective governments improve performance, enhance transparency, ensure accountability, maintain credibility, fight corruption, promote public trust, and foster the efficient and effective receipt and use of public resources for the benefit of their populations.

To help achieve this, INTOSAI’s strategic goal 2 focuses on institutional capacity building. Its objective is to build the capabilities and professional capacities of SAIs through training, technical assistance, the development of advisory and consultant services, the promotion of best professional practices, peer review, the development of partnerships with international development organizations, and other development activities. To that end, a steering committee and three subcommittees were established, and an inaugural meeting was held in London in March 2006.

### CBC Steering Committee

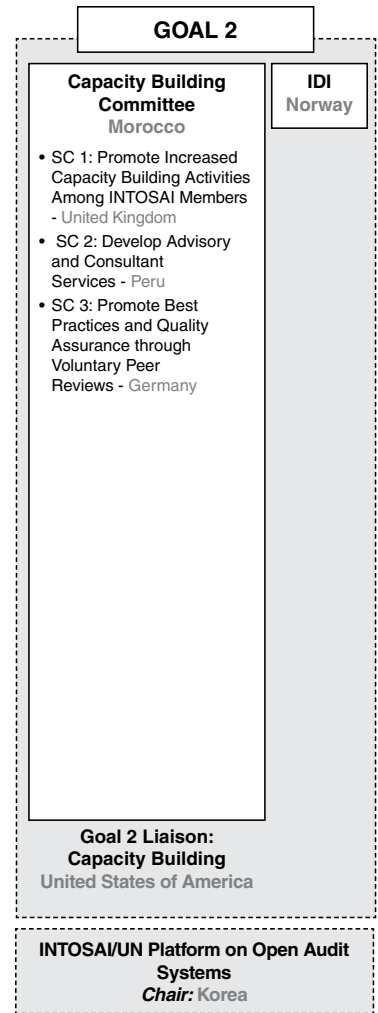
The main tasks of the steering committee have been to coordinate the work of the CBC; evaluate whether the CBC tasks are consistent with INTOSAI’s objectives; and develop partnerships with international development organizations, consistent with INTOSAI’s independence requirements.

#### Links with IDI

The CBC has forged strong ties with the INTOSAI Development Initiative (IDI), which is an observer on the CBC steering committee. In this capacity, IDI actively participated in the two meetings of the CBC, which were held in London in March 2006 and in Rabat in September 2007. Going forward, IDI will report regularly on its activities to the steering committee. IDI was an important source of material for CBC subcommittee 1 while it was developing its *Guide on Building Capacity in SAIs*. IDI is developing a paper on how to work even more effectively with INTOSAI and the CBC.

#### Development of Partnerships with International Development Organizations

Through its steering committee, the CBC has forged links with the World Bank and the International Monetary Fund (IMF). Since 2006, the CBC chair and the goal liaison have met regularly with senior officials at the World Bank, the IMF, and other international donors to outline the importance of support for SAIs in achieving common objectives related to good governance, accountability, and the fight against corruption. The World Bank and other donors participated as observers in CBC meetings in London and Rabat. A December 2007 presentation to a donor



group at the Organisation for Economic Co-operation and Development focused on developing a more strategic and integrated approach to donor funding, always with due consideration of INTOSAI's independence.

## **CBC Subcommittees**

The CBC subcommittees have the following responsibilities.

Subcommittee 1 (chaired by United Kingdom with the Cayman Islands as vice-chair) aims to promote increased capacity-building activities among INTOSAI's members by

- strengthening institutional capacities;
- facilitating SAI capacity-building projects;
- developing and disseminating best practices on how to develop SAIs through training, technical assistance, and other professional development activities;
- collecting and disseminating information on the range of capacity-building projects undertaken by SAIs and providing a vehicle for proper coordination of such projects;
- developing a bank of generic training material on the key areas of SAI work;
- identifying opportunities for distance learning; and
- coordinating complementary and joint actions between INTOSAI and the INTOSAI Development Initiative (IDI).

Subcommittee 2 (chaired by Peru with Kazakhstan as vice-chair) aims to develop advisory and consultancy services by

- developing a database of experts and investigators in the public finance field who are available to participate in auditing programs;
- encouraging joint and coordinated or parallel auditing programs; and
- encouraging internship and technical visit programs organized by SAIs known for outstanding achievements.

Subcommittee 3 (chaired by Germany with Bangladesh as vice-chair) aims to promote best practices and quality assurance through voluntary peer reviews by

- assessing and documenting existing peer review arrangements in the INTOSAI community,
- fostering an environment where such voluntary reviews are seen as beneficial to both the SAI undertaking the review and the SAI choosing to undergo it,
- developing guidelines and providing best practice examples on how to undertake voluntary peer reviews and establish global and regional mechanisms for initiating them, and
- disseminating the results of peer reviews as appropriate and as agreed to by participating SAIs.

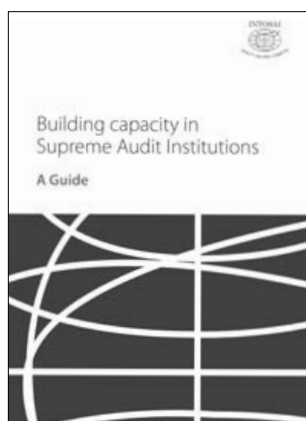


All three subcommittees have made substantial progress since their creation at the London meeting. The following sections summarize their activities.

### *Subcommittee 1: Promote Increased Capacity-building Activities*

Consistent with the terms of reference and guidance resulting from the London meeting, subcommittee 1 launched three major activities.

#### Production of a Guide to Building Capacity in SAIs



CBC Subcommittee 1 has produced *Building Capacity in Supreme Audit Institutions: A Guide*.

The United Kingdom National Audit Office conducted wide-ranging consultations on drafts of this guide, including a March 2007 workshop in London to discuss the first version. After incorporating feedback, the revised guide was presented to the CBC steering committee in September 2007 and formally approved for launch at the INCOSAI in Mexico. The guide is available in English and French on the CBC Web site, which is hosted by the Moroccan Court of Accounts (<http://cbc.courdescomptes.ma>).

#### Compilation of a Database of Capacity Development Projects

The Swedish National Audit Office produced a template for recording SAIs' capacity development projects and created a database to collate the results. Consultations are now complete, and the database is being populated.

#### Subcommittee Action Plan for 2008–2010

At a March 2007 meeting of Subcommittee 1 in London, potential activities for the coming 3 years were discussed. The resulting action plan was endorsed by the CBC steering committee in September 2007 and covers the following four key areas:

- disseminating the guide across the SAI community and among donors,
- building links with key development agencies,
- collecting and assessing training materials and case studies to support the use of the guide, and
- assessing the impact of capacity building among SAIs.

### *Subcommittee 2: Develop Advisory and Consultancy Services*

Subcommittee 2 is charged with developing advisory and consultant services and a database of experts in public finance. It is also responsible for encouraging joint and coordinated or parallel auditing programs and encouraging internship and technical visit programs.



Genero Matute, Comptroller General of Peru and Chair of CBC subcommittee 2, reported on progress made in developing advisory and consultancy services.

Based on previous experiences, the subcommittee developed a survey on joint audits, internships, and technical visit programs. The survey also sought to identify technical advisory requirements and services and resources available in SAIs. The SAI of Fiji drafted the questionnaire, which was refined in consultation with other subcommittee members. The SAI of Peru, the subcommittee Chair, circulated the final draft of the questionnaire to the heads of other SAIs during June and July 2007. Some 90 responses were received, and a report on the questionnaire, drafted jointly by the SAIs of Peru and Kazakhstan, was presented at the CBC steering committee meeting in September 2007. Based on the survey, the subcommittee developed a work plan that included the following tasks:

- design a central coordinating SAI responsible for developing, implementing, and administering joint coordinated and parallel auditing programs;
- develop, disseminate, and approve the procedures and protocols needed to create a conceptual framework (including roles and functions, responsibilities and deliverables, levels of coordination and communication, and human resource and logistical management processes);
- identify and provide required technical and financial support and define the kind of incentives; and
- develop a system for disseminating experiences, audit reports, lessons learned, and successful cases through the INTOSAI Web site.

The subcommittee is also examining how to develop a database on potential experts and specialists. In particular, it is planning to

- analyze—in close collaboration with major SAIs and international bodies and organizations (namely IDI)—existing and available tools, systems, and databases with information on experts and specialists in public finances;
- set up a technical information sheet on which SAIs can record available information regarding their experts and specialists in public finances;
- define activities and responsibilities to compile and enter data needed to develop a database of experts and specialists based on the information received from member SAIs; and
- develop, implement, administer, and disseminate the database.

### *Subcommittee 3: Promote Best Practices and Quality Assurance through Voluntary Peer Reviews*

Subcommittee 3 is in charge of promoting best practices and quality assurance through voluntary peer reviews. The German SAI, the chair of the subcommittee, developed a draft set of guidelines on peer reviews in consultation with other subcommittee members. This consultation was carried out through a meeting organized by the German Court of Accounts in Bonn in June 2007 and extensive e-mail exchanges.

Following the XIX INCOSAI, subcommittee 3 is undertaking the following activities:

- communicating the draft guidelines on peer reviews to all INTOSAI members (including those that have been involved in peer review) and incorporating their suggestions into the draft and
- collecting and disseminating information about SAIs' experiences in peer reviews to all INTOSAI members.



Germany, which chairs CBC subcommittee 3, was an active participant at the congress.

### **IDI Report**

Jørgen Kosmo, Auditor General of Norway and President of the INTOSAI Development Initiative (IDI), presented IDI's report to the congress. He noted that 2006 marked IDI's 20th anniversary, and he traced the evolution of the organization—from providing “one-off” training courses (that is, a series of stand-alone courses) for SAI staff to developing training capacity in SAIs and regional working groups to IDI's third stage of systematically cooperating with INTOSAI's committees and working groups.

The report also highlighted the central role that IDI's strategic plans play in guiding its work. Building on IDI's 2001–2006 plan, the 2007–2012 plan was developed over a 2-year period based on extensive consultations with stakeholders. The plan reflects IDI's move from classroom training to “training for impact” as part of comprehensive capacity-building programs. Fundamental to the plan is ensuring that training does not become an end in itself but rather a means of strengthening the capabilities of developing SAIs.



Principals of IDI participated in the Mexico meeting: Per Engeseth, Jørgen Kosmo, and Magnus Borge.

The report also includes results of evaluations conducted on IDI programs. IDI's Director General noted that "evaluation is a major tool to enable both continuous learning and performance improvement." Six areas of IDI's work were evaluated to determine whether the programs (1) created and sustained cadres of SAI staff with desired competences, (2) helped to strengthen the institutional capacity of the participating SAIs, and (3) supported IDI's principle of gender balance. In five of the six programs evaluated, all but one achieved the first two objectives to a high degree. The situation was different, however, with regard to gender balance. While more than 35 percent of training program participants were women, their post-training engagement in related fields was low in all cases.

In 2007, IDI focused on carrying out needs assessments to help guide its strategic direction for the future. In the first quarter of 2007, for example, IDI convened a group of international experts from SAIs to develop a toolkit for these assessments. The tool kit is now available, and IDI will use it to continue to work systematically with regions to identify specific priority needs for SAIs. All related interventions will be planned and executed in close cooperation with the regions and INTOSAI's Capacity Building Committee.

Additional information is available on the IDI Web site: <http://www.idi.no>.

### **INTOSAI/UN Platform on Open Audit Systems Established**

At the congress, INTOSAI established a joint platform with the United Nations Department of Economic and Social Affairs (UNDESA) and the International Budget Project (IBP) to examine how SAIs can foster collaborative practices that will increase civil society participation in the audit process. The Korean Board of Audit and Inspection (BAI) will chair the platform and develop its agenda. In a related development, the BAI has seconded a senior official to IBP for a year to assist in conducting research on open audit systems and serve as a liaison between IBP and INTOSAI.

During the 2 years preceding the congress, UNDESA and IBP collaborated on a program to promote greater openness in government audit systems and increase transparency in the audits and activities of auditors general. As part of this program, IBP and UNDESA convened a 2006 meeting in the Philippines for audit officials and civil society groups that are monitoring government expenditures in six countries to discuss opportunities for strengthening collaboration between auditors and civil society. (The April 2007 issue of this *Journal* included a report from this meeting.) Subsequently, IBP and UNDESA asked INTOSAI's Secretary General for his support in promoting collaboration between civil society and public audit agencies, and the Secretary General invited IBP and UNDESA to attend the congress and present their experiences and ideas on open audit systems.

At the congress, the INTOSAI Secretary General chaired a plenary session at which staff from IBP, Fundar (a Mexican budget research group), UNDESA, and Mexico's

SAI discussed civil society experiences in auditing and how collaboration between auditors and civil society can improve accountability in the use of public funds. The presentations provided examples of ways in which SAIs and civil society organizations (CSO) have collaborated and complemented their respective agendas.

- Civil society groups in South Korea have used the citizen audit request system to influence the audit agenda of the BAI.
- The Commission on Audit of the Philippines conducted a performance audit on infrastructure projects using an audit team composed of its staff and staff from local CSOs.
- In Mexico, civil society investigations on alleged corruption in a government health program led to an SAI audit that corroborated the CSO's findings and led to changes in the management of the health program.
- In India, vigilant citizens used audit reports that had been shelved by the executive to demand an inquiry into failures in a food entitlement program for poor households; this inquiry subsequently led to the dismissal of several officials responsible for the program.

During the question and answer period following the presentations, many participants expressed their interest in and support for greater collaboration between auditors and civil society organizations. Several, however, emphasized the need to ensure that such collaboration does not jeopardize SAI independence.

For more information on this initiative, contact Vivek Ramkumar of IBP at [ramkumar@cbpp.org](mailto:ramkumar@cbpp.org).



## Goal 3 Report: Knowledge Sharing

### GOAL 3

#### Knowledge Sharing Committee India

- WG on Public Debt – Mexico
- WG Group on IT Audit – India
- WG on Environmental Auditing – Estonia
- WG on Privatization, Economic Regulation and Public-Private Partnerships (PPP) – United Kingdom
- WG on Program Evaluation – France
- WG on the Fight Against International Money Laundering and Corruption – Peru
- WG on the Audit of Disaster- Related Aid – European Court of Auditors
- WG on Key National Indicators – Russian Federation
- WG on Value and Benefits of SAIs - South Africa
- TF on INTOSAI Communication Strategy – General Secretariat/Austria

#### International Journal of Government Auditing United States of America

#### Goal 3 Liaison: Knowledge Sharing Russian Federation

V.J. Kaul, Comptroller and Auditor General of India and the board's liaison to goal 3—Knowledge Sharing, presented his report to the Governing Board and the XIX INCOSAI. According to the INTOSAI strategic plan, the purpose of goal 3 is to “encourage SAI cooperation, collaboration, and continuous improvement through knowledge sharing, including providing benchmarks, conducting best practice studies, and performing research on issues of mutual interest and concern.” To achieve this, a detailed action plan was created in consultation with the INTOSAI Secretary General to

- establish new and maintain existing working groups;
- facilitate best practice studies, consistent with diversity and sovereignty considerations;
- develop a global communication policy and strategy; and
- promote partnerships with academic and research institutions, consistent with INTOSAI's independence requirements.

Under this framework, Mr. Kaul reported the following significant progress and key accomplishments:

- New guidelines and best practices have been developed in several areas, including: public debt audit, IT audit, and environmental audit.
- INTOSAI's global communication plan, developed in close coordination with INTOSAI's Secretary General and Director of Strategic Planning, was approved at the 55th Governing Board meeting. INTOSAI adopted this plan as its official communication policy, and it has been translated into its five official languages.
- The global collaboration tool (a Web-based communication tool available at <http://www.intosai.org>) was developed and launched in INTOSAI's five official languages. More than 500 users from 95 countries have created online accounts, and the committee expects more intensive use of this tool in the future.
- The committee identified 10 key research areas for goal 3 working groups and task forces, identified two topics for a research competition (performance indicators and audit and forensic audit), and forwarded a framework for cooperation with professional associations and academic research institutions to the INTOSAI Secretariat.

The congress adopted a proposal to create a Knowledge Sharing Committee, chaired by the SAI of India, so that goal 3 would be consistent with the other three goals in the strategic plan.

### Working Group and Task Force Accomplishments

The following sections summarize the activities and accomplishments of the goal 3 working groups and task forces.

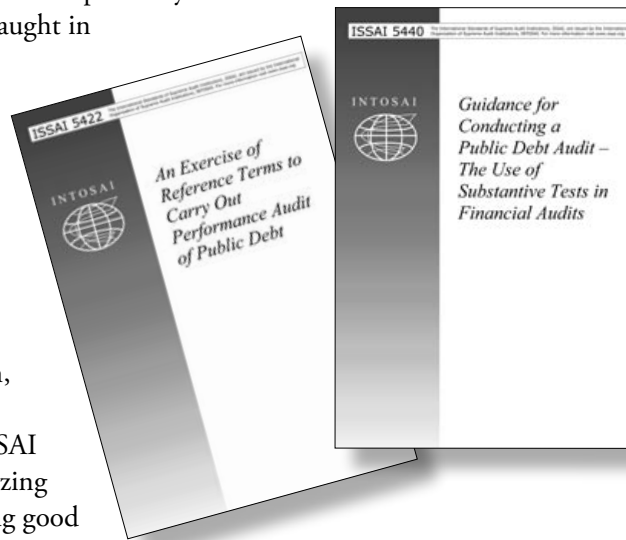


### Working Group on Public Debt

The Working Group on Public Debt has developed information, investigations on best practices in public debt management, domestic case studies, guides and guidelines, special reports, and databases related to public debt auditing. All of these documents are available at the group's Web site, <http://www.intosaipdc.org.mx/index.html>. In addition, the working group presented two documents that were endorsed by the congress: ISSAI 5422: *An Exercise of Reference Terms to Carry Out Performance Audit of Public Debt* and ISSAI 5440: *Guidance for Conducting a Public Debt Audit—The Use of Substantive Tests in Financial Audits*.

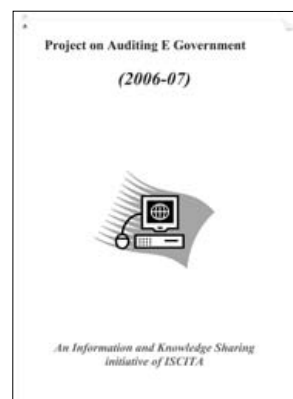
The working group also actively cooperated with the INTOSAI Initiative for Development (IDI) to improve public debt training. For example, the working group conducted the Public Debt Audit Workshop in May 2006 in Kazakhstan. The workshop was taught in Russian, and participants from the SAIs of Commonwealth of Independent States attended.

To strengthen the working group's role and promote best practices in public debt management, the group's 2007–2012 strategic plan identified activities for the coming years along with the group's mission, vision, and objectives. The plan was created, in part, to assist the INTOSAI community in addressing and analyzing public debt problems and promoting good administration of public debt around the world.



### Working Group on IT Audit

The Working Group on IT Audit (formerly the INTOSAI Standing Committee on IT Audit (ISCITA)) recently completed three projects related to auditing and e-governance and produced two products (*Auditing e-Government—Life Cycle Risks in e-Government Projects* and *Project on Auditing e-Government—An Information and Knowledge Sharing Initiative of ISCITA*), which are available at the working group's Web site (<http://www.intosaiitaudit.org>). The SAI of India updated IT audit courseware, and the working group completed a project, in cooperation with IDI, to create an e-learning module on the updated courseware that is now available in both Web-based and CD formats.

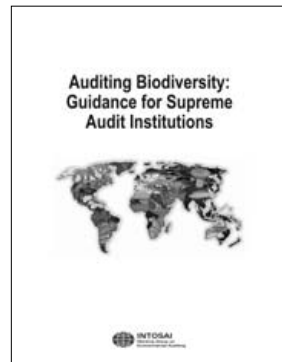


One of two documents presented by the Working Group on IT Audit.

The working group's Web site is an important tool in knowledge sharing about IT audit and provides access to reports, projects, and the group's official journal (*intoIT*). Currently, the site includes the 24th issue of *intoIT*, which focuses on training in IT audit, as well as the 25th issue, which focuses on IT governance. Because of the importance of the site, the working group's goal is to update it every 2 weeks.

The working group also has a number of ongoing projects. For example, the SAIs of China, Netherlands, and Pakistan—joined by the SAIs of Oman, Poland, and Zimbabwe—have undertaken a project on measures to counter fraud in an IT environment. Five additional projects on IT governance and e-government are in various stages of completion.

### *Working Group on Environmental Audit*



One of the guidance documents presented by the WGEA.

The Working Group on Environmental Audit (WGEA) has made significant progress in executing the six goal areas set out in its 2005-2007 work plan, which was approved at the XVIII INCOSAI. For example, the WGEA produced three guidance documents that increased the number and breadth of environmental auditing tools and a fourth document on cooperative environmental audits. In addition, the WGEA promoted training and capacity development by working with IDI to develop and deliver a 2-week training course. IDI's evaluation of this course found that SAIs sustained the knowledge acquired by course participants and that more than half of course participants went on to deliver local environmental audit training.

Starting in 2008, the SAI of Estonia became the WGEA's new Chair, taking over from the SAI of Canada. In addition, the WGEA steering committee developed a new long-term vision in 2007 that includes using the power of public sector audit to improve the environmental legacy for future generations. Lastly, the WGEA work plan for 2008-2010 was adopted; the plan is organized into five goal areas with climate change as the new central theme.

### *Working Group on Privatization, Economic Regulation, and Public-Private Partnerships*

Given the expansion of the field of privatization audit (e.g., auditing the economic regulation of privatized services and audit issues surrounding public-private partnerships), the title of this working group was changed (from the Working Group on Privatization) to its current title to better reflect its scope of activities.

Since 2004, the working group has developed a series of technical case examples on privatization, public-private partnerships, and economic regulation, all of which are published electronically. To ensure that SAI training needs are met, the working

group has also developed a network of experts to provide training and develop audit skills. To facilitate the exchange of information, the working group has worked with member SAIs to produce several joint audits and reports. For example, the National Audit Office of the United Kingdom, working with the SAI of the Russian Federation, produced a dictionary of privatization terms and concepts directed toward a Russian audience. The working group is also actively using the global collaboration tool as a primary knowledge-sharing medium among members. The congress endorsed a revised version of the working group's *Guidelines on the Best Practice for the Audit of Public/ Private Finance and Concessions*.

In the future, the working group secretariat will look at ways to use the INTOSAI collaboration tool as a forum to provide online training and shared expertise. The group also plans to continue its efforts to strengthen relationships with related organizations, such as the Organisation for Economic Co-operation and Development. Finally, in preparation for the XX INCOSAI in 2010, the working group plans to continue making adjustments to published guidelines and technical case studies to reflect ongoing developments in the field.

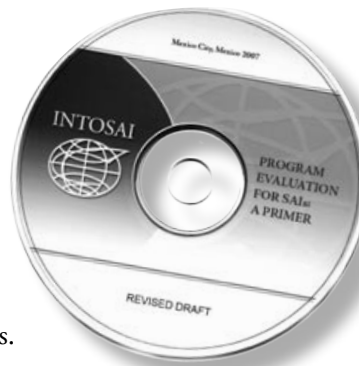


Sir John Bourn, outgoing Comptroller and Auditor General of the United Kingdom, has chaired the privatization working group since its founding in 1992.

### *Working Group on Program Evaluation*

The Working Group on Program Evaluation presented the final version of *Program Evaluation for SAIs: A Primer* to the congress in CD format. The primer introduces SAIs to ways of making evaluation an integral part of their everyday operations and includes some basic concepts in program evaluation. Examples throughout the paper—taken directly from national audit institutions, professional evaluation associations, and other professional evaluation groups—support and amplify these concepts.

The primer discusses interrelationships between performance audit and program evaluation, as well as ways of developing crossover practices between the two. It clarifies challenges in planning and designing evaluations, pointing SAIs toward methods and resources for executing well-designed evaluations. It explores the development of new staff competencies and cultural change within the institution, as well as ways that SAIs can engage the community of external evaluation experts. The primer provides some future perspectives on strategic relationships between audit and evaluation societies, between INTOSAI work groups, and between public and private institutions.



The primer had its genesis in 1992 when the working group, chaired by France, was established at the 14th INCOSAI. The 15th INCOSAI in Cairo recommended in 1995 that the working group “elaborate a methodological framework that would facilitate evaluation work, including an overview of evaluation concepts, objectives and standards. This document should examine what changes are suitable in the organization and working methods of SAIs in order to allow them to implement evaluations.” A draft was adopted at the 18th INCOSAI in Budapest in 2004, and the final draft was prepared by the group with major support by the U.S. Government Accountability Office.

### *Task Force on the Audit of International Institutions*

The Task Force on the Audit of International Institutions, chaired by the Rigsrevisionen of Denmark, reported that it had accomplished the purposes for which it was created at the Budapest congress in 2004. Specifically, it had (1) coordinated and assisted in identifying international institutions that should have SAIs as their external auditors and that need to develop auditing arrangements that are in line with best audit arrangements, (2) cooperated with concerned SAIs to promote approved principles to relevant international institutions and relevant authorities to change audit arrangements, and (3) promoted SAIs as external auditors and assisted interested SAIs in preparing for such assignments. The work was carried out in cooperation with INTOSAI regions and other stakeholders. With the completion of its mandate, the task force was disbanded.

### *Working Group on the Fight against International Money Laundering*

The congress approved a proposal that the Task Force on the Fight against International Money Laundering become a working group to facilitate its work with SAIs and international organizations and its ability to develop best practices that SAIs can use in their anti-money-laundering audits.

To achieve its mission of promoting an active role for SAIs in combating international money laundering, the working group has pursued three objectives: promoting international cooperation among SAIs and with other international organizations to combat money laundering; identifying and sharing policies and strategies to combat money laundering; and designing and promoting policies and strategies for SAIs to use within their authorities to combat money laundering. To achieve its first objective, the task force has taken several steps forward in its collaborative efforts with other organizations. For example, links to multilateral cooperation organizations have been established on the working group’s Web site. In addition, cooperation agreements have been reached with the Egmont Group and the Financial Action Task Force on Money Laundering in South America (GAFISUD).

To achieve its second objective, a Web site ([http://www.contraloria.gob.pe/task\\_force](http://www.contraloria.gob.pe/task_force)) was designed and implemented to share anti-money-laundering practices, procedures, and

information. For the third objective, the Accounts Chamber of the Russian Federation hosted an international symposium and compiled a list of materials on anti-money-laundering audit practices.

Looking to the future, the congress approved a proposal to broaden the group's scope to include anticorruption efforts.

### *Working Group on the Accountability for and Audit of Disaster-related Aid*

In November 2005, the INTOSAI Governing Board launched the Task Force on the Accountability for and Audit of Disaster-related Aid. Its overall objective was to formulate guidelines and best practices for SAIs and relevant stakeholders in order to have a potential audit trail in place before future disasters occur. By conducting pilot studies, the task force searched for a global audit trail for tsunami-related aid and also investigated the use of geographical information systems for planning, monitoring, and auditing aid flows. By promoting the open exchange of information, the task force tried to promote a meaningful and effective coordination of audits of disaster-related aid. It also tried to (1) enhance transparency in the flow of funds from donors to recipients and of information from recipients to donors and (2) identify the role of the international organizations (e.g., the United Nations, multilateral organizations, and nongovernmental organizations) in this area.

The congress approved the establishment of a working group as a successor to the task force. The congress endorsed the group's 2007–2010 work plan, which calls for broadening the group's scope from the accountability and audit of tsunami-related aid to disaster-related aid in general. The working group will develop guidelines for SAIs and best practices for national governments, international institutions, and nongovernmental organizations to enhance accountability in the field of disaster-related aid.



Saskia Stuiveling, President of the Netherlands Court of Audit and outgoing Chair of the working group on tsunami-related aid, delivered her report to the Governing Board.

The working group will report to the XX INCOSAI in 2010 after its 3-year mandate and will be chaired by the European Court of Auditors.

### ***International Journal of Government Auditing Report***

The annual report of the *International Journal of Government Auditing* was presented by David Walker, Comptroller General of the United States and Chairman of the Board of Editors of the *Journal*. He underscored the *Journal's* commitment to ensuring that its activities support the INTOSAI strategic plan, and expressed thanks to all SAIs



for their support of the *Journal*, particularly the SAIs (Austria, Canada, Tunisia, and Venezuela) that provide pro bono translations of each issue into the official INTOSAI languages.

Mr. Walker highlighted the substantial progress made with the *Journal's* Web site, <http://www.intosaijournal.org>, including its many new functions (for more information, see page 2 of the April 2007 issue). With the enhanced Web site, the *Journal* is more useful to INTOSAI members, more accessible to its global readership, and more user-friendly. The Web site also allows the *Journal* to provide information more quickly. For example, the following screen shot shows the early reporting on XIX INCOSAI on the home page of the *Journal* Web site.



One of the most useful features of the site is the member information section, which contains a list of all SAIs that belong to INTOSAI and detailed contact information for each one. Clicking on an SAI's e-mail address automatically opens an e-mail application on the reader's computer screen, allowing direct connections with colleagues in the INTOSAI community. In addition, by clicking on an SAI's name, the user will find past news items and articles about or by that SAI that have been published in the *Journal* over the years, as well as a direct link to the SAI's own Web site and a wealth of information and further contacts contained there. The *Journal* remains committed to supporting INTOSAI's motto—"Mutual Experience Benefits All"—and to helping individual readers connect with colleagues, information, and best practices throughout the accountability community.



Bachchu Ram Dahal, Acting Auditor General of Nepal, visited the *Journal* exhibit to access the *Journal* Web site and review information about his SAI.





## Goal 4 Report: Model International Organization



Osama Faquih, Chair of the Finance and Administration Committee, presented the goal 4 report to the congress.

Osama Faquih, Chairman of the INTOSAI Finance and Administration Committee, reported on the committee’s efforts since its establishment at the Budapest congress in 2004. As specified in the strategic plan, the committee’s mandate is to help the Chairman of the board and the board itself to “organize and govern INTOSAI in ways that promote economical, efficient and effective working practices, timely decision-making, and effective governance

practices, while maintaining due regard for regional autonomy, balance and the different models and approaches of member SAIs.”

Mr. Faquih noted that the committee had actively pursued its mandate through a series of annual meetings in Budapest, Washington, Riyadh, and Oslo, and he expressed his appreciation to committee members for their hard work, dedication, and support. In addition to Saudi Arabia, the **auditors general of the following** countries served on the committee from 2004–2007: the United States of America (vice-chairman), India, Norway, and Venezuela. The Secretary General of INTOSAI served as an ex-officio member, and the Auditor General of Korea, in his capacity as immediate past Chairman of the board and a member of the strategic planning task force, served as an ex-officio member for a one-time, 3-year period.

### GOAL 4

#### Finance and Administration Committee Saudi Arabia

- 5 voting members:
  - Saudi Arabia
  - USA
  - China
  - Norway
  - Venezuela
- Ex officio members
  - Secretary General
  - Hungary

**Goal 4 Liaison:  
Model International  
Organization  
Saudi Arabia**

### Significant Accomplishments between Congresses

Mr. Faquih summarized the committee initiatives that the board had already approved and implemented since the committee was established in 2004. The first initiative was the recruitment and selection of Klaus-Henning Busse of Germany as the INTOSAI Director of Strategic Planning for 2005–2007. He was succeeded by Kirsten Astrup of Norway for a 3-year period beginning at the XIX INCOSAI when the Governing Board confirmed her to that post. Second, goal chairs and liaison were selected for all four goals in the strategic plan. Third, modern technology has been increasingly used to facilitate



Kirsten Astrup of Norway (left) and Klaus-Henning Busse of Germany (right) are INTOSAI’s incoming and outgoing Directors of Strategic Planning.

decision-making between annual board meetings and triennial congresses. To that end, the Governing Board allocated funds to the SAI of India to develop a Web-based communication tool that is now operational and available on the INTOSAI Web site.

Fourth, INTOSAI revenues and discretionary and nondiscretionary expenditures were reviewed and adjusted to strengthen INTOSAI's financial position. The following steps were taken: reducing the budget allocation to this *Journal*, holding the United Nations/INTOSAI seminar every 2 years instead of annually, charging registration/attendance fees for congresses, considering inviting vendors/professional firms to exhibit at congresses for a fee, and applying graduated sanctions to those SAIs in arrears for their annual assessments.

Other results achieved since the 2004 Congress included

- developing a global communications policy,
- developing an integrated strategic framework and policy for dealing with external donors,
- confirming the international legal status of INTOSAI,
- establishing criteria for regional working group membership, and
- recommending that INTOSAI publications and training courses remain free of charge.

### **Congress Adopted Additional Committee Recommendations**

The Finance and Administration Committee report concluded by presenting three important issues for deliberation and vote by the congress: membership dues, associate membership status, and an update to the strategic plan.

#### *Membership Dues*

The issue of membership assessments had been deliberated and debated by the board at each of its meetings since Budapest and had been analyzed by the Finance and Administration Committee with the assistance of the General Secretariat. The board noted that INTOSAI membership assessments had not been increased since 1983 and that increased revenues are needed to maintain INTOSAI's stable financial condition and continue to implement the strategic plan. The General Secretariat developed different scenarios to increase annual revenues by 100,000 euros, and the board endorsed the proposal to raise dues beginning in January 2008.

#### *Associate Membership*

With regard to associate membership, the strategic plan recognizes the value to be gained from opportunities to increase partnerships with interested organizations, expand involvement of nonmember accountability organizations, and enhance INTOSAI's knowledge base. As a result, INTOSAI's membership was expanded to

include supranational supreme audit institutions, and the strategic plan called for the new category of associate member to be created. The Finance and Administration Committee analyzed this issue, and the board discussed it thoroughly at its 2005 and 2006 meetings. The board endorsed, and the congress approved, the following criteria. To be considered for associate membership, organizations must be

- international and operate on a global scale;
- directly or indirectly involved in areas such as accountability, transparency, anticorruption, or governance;
- governmental, nonprofit, or not-for-profit; and
- nonpolitical and have broad-based support within the INTOSAI community.

### *Strategic Planning*

The third major initiative adopted by the congress was to update the INTOSAI strategic plan. The board noted with satisfaction that the current strategic plan—adopted in Budapest for 2005–2010—has served INTOSAI well. As a result, the board recommended updating the current plan rather than developing a new strategic plan for 2011–2016.

Further, the board recommended that the statement of INTOSAI’s mission, vision, and goals in the current plan remain the same in the updated plan, even though the activities and programs supporting each of the four goals would likely change in some cases. The congress unanimously adopted these recommendations.



The INTOSAI Secretariat is a key player in implementing goal 4. Pictured here are (left to right) Reinhard Rath, Secretary General Josef Moser, and Monika Gonzalez.

The methodology for updating the plan will adhere to the principles of consultation and consensus that were essential to developing and adopting the current plan. However,



Osama Faquih, Chair (left), conferred with Vice-Chair David M. Walker of the United States.

rather than establishing a 10-nation task force—as was done in 2001—the Finance and Administration Committee established a task force to update the plan at its meeting in Mexico during the congress. The United States will chair the task force and will collaborate with the chairs of the goals, the relevant goal liaisons, the Secretary General, the Director of Strategic Planning, and the board. Importantly, the task force will also consult with the regional working group secretariats. As the updated plan is developed, all members SAIs will have the opportunity to review and comment on it before the plan is presented to the 2010 congress in South Africa.

## **Next Steps**

With changes in the membership of the Governing Board and new roles for some members, the board elected the following SAIs to serve on the Finance and Administration Committee for the next 3-year period: Saudi Arabia, Chair; United States, Vice-Chair; Norway; Venezuela; and China. The Secretary General and Hungary (as immediate past board chair) will serve as *ex-officio* members. The committee is scheduled to meet in Washington on March 17, 2008.



## Mexico Accords

### Foreword

The technical themes to be discussed at the XIX INTOSAI Congress, as well as the SAIs that would lead discussion of these themes, were determined at the 55th meeting of the Governing Board.

In view of the fact that the Congress is an optimum forum for countries to share their experiences, the problems facing them and solutions implemented to overcome them, members of the Governing Board decided to approve two technical themes that are at the forefront of current auditing and financial management issues; and at the same time have far-reaching impacts for our organization, at the national and INTOSAI community level.



The congress adopted the *Mexico Accords* by unanimous acclamation.

Thus the following themes were selected for the Congress:

Theme I. “Management, Accountability and Audit of Public Debt”; and

Theme II: “Performance Assessment Systems Based on Key Indicators”

The debt policies currently implemented in many member countries confirm that high public debt levels impose severe constraints on financial policies, leading to risks of currency devaluation and economic and social crises.

Recently, the issue of public debt has gradually become more serious in many member countries, and in some cases it represents over 100% of GDP. Public spending exceeds current revenue and the gap is generally covered through public borrowing. Furthermore, in many countries, public debt gives rise to questions of intergenerational burden-sharing.

By selecting the theme: “Management, Accountability and Audit of Public Debt”, the XIX INCOSAI paved the way for analysis and discussion of the professional capacities required of today’s SAIs to monitor public debt levels, review debt strategies and audit public debt management from the standpoint of budget and efficiency issues; as well as to contribute to actively shaping the economic and social environment of future generations.

The *Mexico Accords* cover the discussions, conclusions, and recommendations from the congress's two themes: Theme 1— Management, Accountability, and Audit of Public Debt and Theme 2— Performance Assessment Systems Based on Accepted Key Indicators.

editor's note

Further, within the current international environment, SAIs must respond to the rapid pace of change in every aspect of life, including accountability and transparency in public management.

A system of key national indicators is an essential tool to assist SAIs in providing information on government performance, by measuring the progress toward planned results, assessment of conditions and trends and exchange of information on complex issues.

Likewise, key national indicators can prompt a healthy dialogue among citizens and decision-makers.

A key national indicator system can also provide improved information to national legislative bodies, thereby facilitating their work in budget allocations, policy decisions and government oversight.

To address this theme, the United States Government Accountability Office (GAO) prepared the Principal Paper for Theme II: “Performance Assessment Systems Based on Universally Accepted Key Indicators” which described key national indicator systems and provided national and international examples such as the Millennium Development Goals set forth by the United Nations, the European Structural Indicators system of the European Union, and the Organization for Economic Co-operation and Development (OECD) FactBook.

The Theme II Principal Paper explores possibilities for co-operation between SAIs and INTOSAI, as well as with other organizations, for purposes of development and use of these indicators. It also proposes methods for using national indicators and the potential roles of SAIs in this respect, in addition to the opportunities, risks and challenges involved.



## Theme I: Management, Accountability, and Audit of Public Debt

### Introduction

1. Public debt issues are a concern in many countries. In most of these countries the public debt problem does not seem to abate. Compared to the respective GDP, the trend of indebtedness is to some extent worrying. This may have many causes: the degree of economic development, lack of economic resources, low levels of state revenue



Delegates paid close attention to the discussions of theme 1.

and the quality of the management and governance of public expenditure and revenues. In many cases the gap between revenues and government spending is closed by continuous public borrowing. Numerous countries are faced with the problems of implicit debt which refers to future government liabilities such as recurring capital project costs and social security liabilities. In the longer run, implicit debt will be a major burden on the sustainability of public budgets.

2. A high debt level and a debt structure that is sub-optimal in terms of debt instruments, maturities/terms, currency and interest rates may make a government vulnerable to major fluctuations in the markets or vis-à-vis individual institutional creditors. This may lead to the devaluation of the currency and economic and social crises. Moreover, a high level of public debt strongly reduces the discretionary scope for fiscal policy decisions, if large portions of the public revenue are needed for debt service (interest payments and debt repayment) and are thus no longer available for funding other policies. Public debt often gives rise to questions about intergenerational burden-sharing.
3. Democratic government requires that public debt and its medium- and long-term effects be made transparent. This is necessary to help ensure accountability and facilitate a better-informed public debate.

### How INTOSAI has addressed these problems

4. INTOSAI has increasingly addressed public debt issues especially since the late 1980's. The XIIIth INCOSAI in 1989 dealt with the theme "Auditing the Public Debt" with regard to the role of SAIs, audit scope, audit methodology and audit techniques. In 1995, the XV INCOSAI adopted the guidelines on the definition and preparation of reports on public debt. In 1998, the XVIth INCOSAI approved additional guidelines for determining and measuring both the real and contingent public debt. INTOSAI's Public Debt Committee (PDC) which was set

up in 1991 has done extremely valuable work on this complex audit theme. The PDC has supported SAIs in coping with their task of auditing the public debt by providing guidance in various forms.

5. By choosing the theme "Management, accountability and audit of public debt", INTOSAI intends to highlight a key challenge of governments and to point out how SAIs may be able to improve their audit work in this field.

### *Tasks of Supreme Audit Institutions*

6. The powers and responsibilities of SAIs are determined by the legal and political framework of each country. The nature and scope of audit work and the form of reporting depend essentially on this framework. Furthermore, the audit activities are governed by the image SAIs have of themselves. When the SAIs' mandate does not encompass auditing state debt, Supreme Audit Institutions should ask the legislature to extend their auditing rights. Despite these national differences, it is possible to formulate the following principles for the work of SAIs.
7. The audit of the public debt should address not only internal administrative issues. Going beyond that, it should take into account the budgetary and fiscal environment and the interrelations between the public debt, financial markets and creditors.



Delegates continued discussion from the theme plenaries during breaks in the sessions.

The audit scope is thus not limited to verifying the regularity of government operations but also takes into account whether funding of public expenditure from borrowing is sound and borrowing costs kept to a minimum, while bearing risks in mind. Auditing also covers the economy, efficiency and effectiveness of credit-financed measures and their benefits for future generations.

Within the scope of their respective powers and responsibilities, SAIs should act in such a way that the results of their audits encourage governments to follow sound practices of debt management.

8. Furthermore, the audit of the public debt should be proactive, that is taking the initiative and with a view to the future.
9. The audit of the public debt should also address the medium and long-term sustainability of public finance, the vulnerability of a government's debt status, its capacity for debt service and the role of SAIs in limiting and avoiding public debt.

10. Due to its complexity, this audit theme imposes high professional requirements on SAIs and could be supported by auditing and assessment standards.

### *Results and Recommendations*

11. The INCOSAI held in Mexico discussed the whole range of public debt issues and developed the following results and recommendations:

#### Recommendation 1

12. In order to ensure transparency, SAIs should play a proactive role in auditing public debt and debt management. The extent to which an SAI can do this would depend on its mandate, its responsibilities and the specific circumstances of its country. Audit work can also include timely and full reporting to Parliament about the impacts and risks inherent in debt management and the financial system. Reliable data are an essential prerequisite for transparency.



The Technical Liaison Officer from Mexico clarified a point during theme 1 discussions.

13. Public debt is the result of policy decisions. The extent to which SAIs audit the results of such decisions depend on their respective powers and responsibilities. Notwithstanding this question, the audit of public debt, apart from generating audit findings relating to the past and the current situation, is largely characterised by its proactive approach. Governments are responsible for supplying reliable data.
14. The SAIs are inter alia encouraged to
- take an active role in ensuring that debt policy and debt management systems are well designed,
  - provide timely and full information about the implications and risks of public debt by reporting to parliament or parliamentary bodies,
  - encourage governments and public administration to give high priority to risk management and to take adequate regard of the potential risks inherent in debt management and the financial system (such as a crisis in the banking system or the currency system) and this is also true for contingent liabilities and implicit debt,
  - support government and the public administration in publishing improved financial data to help them assess the risk associated with public debt more accurately,

- examine whether financial service regulators in their audits comply with national and international regulatory standards,
- assess whether the administration has the required core skills in debt management; this applies particularly when public sector activities are outsourced.

#### Recommendation 2

15. Within their national legal framework, SAIs should further develop their audits of public debt by ensuring full disclosure of public debt and public assets.
16. As a rule, government is obliged to inform Parliament about public finance and public debt. The SAIs audit fiscal transparency including public debt. In many INTOSAI member states there are statutory ceilings for borrowing. These ceilings can be set as an absolute amount or a certain percentage of GDP. In other member states public borrowing may not exceed public capital expenditure in a financial year. Generally speaking, a country's public debt should not exceed its financial strength. In future, SAIs could encourage and support the preparation of a regular report on the financial status of the public sector that compares public assets with public debt.
17. The SAIs are inter alia encouraged to
  - advise government and the public administration regarding how they should fully record and report the level of debt and the status of assets; this also includes securitised debts passed on to third parties or trustees;
  - evaluate the national trend of indebtedness and the national status of assets,
  - evaluate capital expenditure in order to assess the development of public assets in comparison to public debt,
  - further develop or follow standards for recording and evaluating public assets and public debt.

#### Recommendation 3

18. SAIs should, within their mandate and national legal framework, monitor the development of implicit public debt and provide timely information on potential implications of a high or strongly rising implicit public debt level.
19. The implicit public debt refers to future government liabilities, e.g. recurring capital project costs and obligations from social policy programmes. In the longer run, implicit debt could be a major burden on the sustainability of public budgets. In most of the INTOSAI member states, public debt does not include the issues of implicit debt. Some states have made provisions for determining contingent liabilities and the way they should be paid for. Some SAIs have expressed concern over the long-term fiscal positions because of the implications of an ageing population, increasing dependency ratios and the resulting burdens on the funding

of retirement benefit and health care obligations for the long-term sustainability of public finances. It is therefore an important task for SAIs to audit and report on the medium- and long-term effects of public debt.

20. The SAIs are inter alia encouraged to

- monitor the development of implicit public debt,
- influence the government and the public administration to identify and disclose the amount of implicit debt; this concerns in particular expenditure for social policy programmes.
- consider, in the course of their audit work, the amount of future recurring costs caused by government actions,
- influence the government and the public administration to take appropriate steps for coping with implicit public debt.

#### Recommendation 4

21. SAIs should consider conducting performance audits of public debt and debt management as a key objective. This could include examining the impacts of budgetary decisions, identifying and assessing risks and reporting on their potential implications.

22. Performance audit is the examination of the economy, efficiency and effectiveness of government projects, programmes or organisations, including decision-making processes, that are designed to accomplish improvements of government operations. Most SAIs have a statutory right or obligation to express an annual opinion on the financial statements. Many of them also review debt management practice by means of periodic performance audits. Performance audits of public debt and debt management are often not given a high priority. Due to considerable repercussions of the future debt service (payment of interest and repayment of principal) on the public budgets concerned, performance audits in this field will acquire increasing importance in the future.

23. The SAIs are inter alia encouraged to

- analyse the cost of borrowing and the risks of debt management when carrying out performance audits,
- consider forecasts of interest expenditures in the light of various risks, e.g. changes in interest rates or exchange rates,
- promote the development of long-term fiscal indicators.



Abdelkader Benmarouf, President of the Court of Accounts of Algeria, made a point during the discussion.

### Recommendation 5

24. When auditing public debt, SAIs should ensure that their staff have the requisite skills and expertise, and where appropriate, that SAIs have access to specialized knowledge. Because of the complex audit challenges in ever changing environments that require initial and continued staff training programmes, SAIs should ensure an adequate adjustment of organisational structures in order to accomplish their objectives.
25. The audit of public debt and debt management is a highly complex issue. In many cases, there are points of direct contact with financial and capital markets. On the whole, this audit theme imposes specific requirements on auditors of SAIs. Special knowledge in the fields of economics and business management are indispensable for auditing in this field. If public debt management has moreover been out-sourced to institutions that may recruit staff from the private sector and specialists, this further enhances the demands placed on the SAIs' auditors. Auditors should professionally be on a par with the staff of the institutions involved in debt management. This requires appropriate initial and continued training programmes.
26. The SAIs are inter alia encouraged to
  - assign experienced auditors to public debt and debt management work,
  - assign auditors possessing expert knowledge in economics and business administration,
  - consider, on a case by case basis, whether the temporary reliance on external expertise may sustainably enhance audit findings,
  - tailor initial and continued staff training to the rapidly changing situation on the money and capital markets,
  - adapt their organisational structures within the limitations set by their national legal and political framework to better meet changing needs in auditing public debt.

### Recommendation 6

27. SAIs should enhance their expertise to assess implications and risks of new financial instruments.
28. Audit scope ranges from financial audits to the audit of debt strategies with regard to aspects of risk and performance. Auditors are facing challenges, if new financial instruments (e.g. interest or currency swaps) are used in debt management. Among other characteristics, these instruments can be used as safeguards against fluctuations of interest rates and exchange rates. However, they are always connected with risks. The SAIs therefore must be capable of assessing such risks and the pertaining risk management systems.



29. The SAIs are inter alia encouraged to:

- build up or enhance their expertise to assess market, interest-rate, credit, liquidity and operative risks in public debt management,
- examine the indicators for the vulnerability of public budgets and financial management as well as the scope for the management of assets and debts,
- monitor the use of new financial instruments, e.g. interest-rate and currency derivatives and examine the procedures in place for identifying, monitoring, controlling and mitigating risks,
- make sure, when selecting staff, that they have adequate practical experience in the fields of financial markets or banking and provide them with continual training in the field of financial innovations.

#### Recommendation 7

30. The INTOSAI's Working Group on Public Debt (formerly Public Debt Committee) should continue to make significant contributions towards further developing the audit of public debt and its management. Given the frequent changes in this difficult and complex field and the high demands faced in auditing public debt and its management, the Working Group should adjust its activities continuously in response to any new arising challenges.

31. Given the increasing significance of public debt issues for external government auditing, the Working Group on Public Debt (formerly Public Debt Committee) was set up in October 1991. It supports SAIs in performing their function of encouraging true and fair reporting about public debt and sound debt management. It is developing guidelines and papers on fundamental issues to support SAIs in auditing public debt management.

32. The Working Group is inter alia encouraged to

- further enhance its profound expertise in auditing public debt and public debt management, adjusting it in response to changing environments in financial markets and international borrowing conditions,
- develop standards for audit and assessment;
- operate a network for continually sharing information on lessons learned, audit methods and pertinent publications,
- promote discussions and sharing expertise between SAIs and international organisations;
- promote exchange of expert staff among the SAIs,
- continue to support the training of auditors for auditing public debt and its management.

## Theme II: Performance Assessment Systems Based on Key Indicators

### *Introduction*



The U.S. Government Accountability Office chaired theme 2, led by Comptroller General David Walker and assisted by Chris Mihm.

As the pace of change accelerates in every aspect of life, national governments across the world are faced with new and more complex performance and accountability challenges that they alone cannot address. One tool available to help address these challenges and achieve national outcomes is the development of key national indicators to measure progress toward desired national outcomes, assess conditions and trends, and help communicate complex issues.

Key national indicators can be seen as part of efforts to align the programs and policies of governments with the outcome-oriented results (e.g., government transparency and anti-corruption, literacy rates, mortality rates, environmental sustainability) that citizens care about. Given their roles and responsibilities within national governments in ensuring performance and accountability, Supreme Audit Institutions (SAIs) can also play a role in identifying ways to address key national challenges. SAIs, as neutral institutions, can contribute to the use of key national indicators in a wide variety of ways including validating the reliability of and auditing the indicators, thereby helping to ensure the appropriate and effective use of the information in decision making, public education, and debates. A set of key national indicators could be an indispensable tool to help SAIs' performance audits by providing factual information on government performance. Recognizing the importance of nations developing and using key national indicators, as well as their potential usefulness to SAIs in carrying out their mandates, the INTOSAI Governing Board decided at its 54th meeting in November 2005 to adopt this as a Congress theme for 2007.

To address this theme, the United States Government Accountability Office (GAO)—as theme chair—prepared the Principal Paper, which described key national indicator systems and provided national and international examples of such systems. The Theme II Principal Paper also described ways in which key national indicators can and are being used and potential roles for SAIs to undertake in connection with key national indicator systems. The Principal Paper included a list of questions that asked about SAIs' experiences with key national indicators; how they could effectively work with key national indicators; the opportunities, risks, and challenges related to this work; and how SAIs and INTOSAI could best work with each other and other organizations with regard to developing and using key national indicators. With the able support of Mexico, the Congress host, the Principal Paper was translated and distributed to INTOSAI's 186-member SAIs in September 2006.

A total of 34 SAIs prepared Country Papers that addressed the questions raised in the Principal Paper. The Country Papers describe work SAIs have conducted in relation to the design, development, adoption, and auditing of key national indicators. The theme chair analyzed the Country Papers and summarized and synthesized this information into the Discussion Paper for Theme II. The Country Papers, along with the resultant Discussion Paper, also served as the basis for a presentation by the theme chair, Comptroller General of the United States, David M. Walker, and discussions during the Theme II plenary sessions. For this effort, the SAI of the United States was ably assisted by its fellow Theme II Officers: India served as Vice Chair, Peru and South Africa served as moderators, and New Zealand and Tunisia served as rapporteurs.



Kevin Brady, Controller and Auditor-General of New Zealand, served as theme 2 discussion session rapporteur/moderator.

### *Discussion Results*



V.J. Kaul, Comptroller and Auditor General of India, was the Vice Chair of theme 2.

The INCOSAI delegates discussed a number of issues concerning key national indicators and their roles and specific experiences conducting work related to key national indicators. For example, delegates shared their very valuable experiences in using performance information—including in some cases key national indicators—to inform and guide government budget and planning decisions, particularly related to National Development Plans. The delegates dis-

cussed the roles SAIs could play in facilitating and assessing hierarchical, inter-related sets of performance indicators which include:

- Global indicators (e.g., United Nations' Millennium Development Goals),
- National indicators (e.g., environmental, health, education, social welfare),
- State/public sector indicators,
- Entity/government agency indicators, and
- Service, program, or policy indicators.

SAIs could examine (and use in their performance audits) the indicators at any level as well as the inter-relationships and alignment among levels.



Delegates actively participated in the theme 2 discussions.

The delegates emphasized that SAIs can play a critical role in contributing to design, development, adoption, and continuous improvement of key national indicators while at the same time maintaining their independence in order to later audit the information produced by the indicators. However, and most importantly, there was unanimous agreement among the delegates that SAI independence must be upheld and SAI credibility must be maintained

regardless of the role, if any, assumed in working with key national indicators. At the same time, many delegates noted that SAIs should seek to make positive contributions in this area as a way to enhance their value while managing any related independence risks. Although delegates discussed a wide range of issues concerning their roles and experiences in conducting work related to key national indicators, the following topics dominated the session discussions and reflected the points raised in the Country Papers. Underpinning all of these topics, however, was a central theme: an SAI's decision regarding whether and how to do work related to key national indicators must solely be an outgrowth of its unique situation, including the SAI's mandate and capabilities, and its national needs and priorities.

### SAI Roles Related to Working with Key National Indicators

The delegates discussed how SAIs can and have contributed through their audit and related work to the design, development, adoption, continuous improvement, and auditing of key national indicators. Many SAIs stated that they could or have fulfilled one or more of the five roles described in the Principal Paper and elaborated below. The status of key national indicator efforts within its country, as well as an SAI's statutory authority, its institutional capacity, and the nature of the work influence the roles assumed, according to the delegates. The delegates also stressed that, irrespective of the roles assumed, the SAI's independence must be maintained and protected. In that regard, it is most likely that SAIs will be involved in auditing key national indicators, but may be involved in other areas as well depending on their mandates. During the discussion as well as in their Country Papers, delegates described how SAIs could and have maintained their independence while performing the various roles.

- Recognizing the value and importance of such indicators, some SAIs have identified the need for key national indicators within their countries. Given their various oversight, insight, and foresight activities, and their ability to bring together interested parties, SAIs can make a compelling case for the importance of developing and using such indicators and systems to assess the nation's position and progress in a particular area or overall. A consensus emerged that this role, in some cases, could exceed the SAI's mandate—potentially venturing into policy making; others

noted that the SAI need not actively pursue and recommend the development of key national indicators. Rather, SAIs can point to key national indicators as one tool available to help governments address complex national challenges. SAIs can inform decision makers about the ways in which indicators can and are being used and allow them to decide whether developing such a system is warranted. SAIs could also describe the benefits and risks of developing and using such a system. For example, key national indicator systems can inform strategic planning, strengthen transparency, enhance performance and accountability reporting, facilitate policy analysis and program evaluation, and better inform the public in connection with key issues.

- As independent organizations, SAIs can play a particularly important role in contributing to selected education and promotion efforts in connection with key national indicators. As noted in the Principal Paper, achieving success in developing key national indicators and systems requires the combined efforts of many parties over an extended period of time. As nonpartisan, non-ideological and unbiased actors, SAIs can help bring together a variety of organizations and individuals and encourage them to stay focused on the important long-term project of developing reliable key national indicators and systems. In their Country Papers and during discussions, SAIs expressed concerns about a potential loss of independence and/or autonomy based on the nature and extent of their involvement in designing indicators. This could then hamper their ability to objectively audit these indicators in the future. Virtually all delegates viewed this as a very important caution: SAIs must not be—nor should they be seen as being—directly involved in selecting indicators; that is for policy makers and other political leaders to decide. Delegates suggested two ways to mitigate the perception of a loss of independence. SAIs could maintain their independence by providing only technical/expert advice during the development of indicators and not participating in the actual selection of indicators. Alternatively, another suggestion that was widely held was to not become directly involved during the indicator development phase (but to contribute to it indirectly through audit work) and perform an auditing role after development.
- SAIs can also assess the process used to develop the indicators and/or systems. By looking at the organizations and individuals involved in the development process and their particular roles, the SAI can help ensure that the process was balanced, provided appropriate opportunities for citizen engagement, and that the resulting indicators and/or system are useful. In addition, SAIs who have already performed this role stated that they also assessed how the indicator information is being reported and how accessible that information was to citizens and decision makers.
- A number of SAIs stated that they have or could audit the quality, validity, and reliability of the indicator information. SAIs could also comment on the relevance of the indicator information. In essence, these roles entail assessing the reasonableness and/or reliability of data produced by an indicator or system of indicators—a role with which many SAIs are already familiar based on their financial and/or performance audit work. In doing so, delegates stated that the SAI is able to provide

reasonable assurance to policy makers that the information can be used to support decisions. Additionally, when the SAI identifies issues with the quality, validity, or reliability of this information, it can also assess how these issues could affect decision making. For example, the SAI could evaluate whether program executives are using a balanced set of measures to manage their programs and the alignment (or misalignment) of those program measures to national outcomes.

- Finally, SAIs could use indicators to assess and report on national progress. In their Country Papers, several SAIs stated that they have already used the indicator and other relevant information to provide a “report card” of the nation’s position and progress, in a particular subject area or overall. Delegates noted that this focused attention has led to improved results on a national basis. Over time, the SAI could also use this information to assess trends and compare the nation’s performance to those of others. In this regard, an SAI’s use of information on key national indicators was seen as different from, but nonetheless a natural next step for many SAIs that are increasingly undertaking performance audits. On the other hand, some delegates stated that they believed this role was outside their organization’s mandate. In these instances, delegates thought that defining targets and assessing progress towards them was more properly the role of elected officials. Should this be the case, the SAI could limit its involvement to synthesizing and summarizing indicator information to provide an overview of the nation’s performance, allowing decision makers to use this information make judgments about national position and progress.

#### Knowledge, Skills, and Abilities

To be successful in these roles, the delegates noted that in many cases, there is a need to significantly expand the knowledge, skills, and abilities of their staff. As noted in the Country Papers, a majority of SAIs emphasized the need to build skills and knowledge in a number of technical areas important for work on indicators including statistics, information technology, economics, and accounting, as well as subject matter knowledge of key economic, environmental, social and cultural issues. Auditors working on key national indicators should have the analytical ability to look across the various issue areas, provide detailed perspectives on individual indicators and related data, such as data quality issues, and perhaps most importantly assess performance trends suggested by specific indicators and how government can work with partners from the private sector and non-governmental organizations, both nationally and, as appropriate, internationally, to improve the nation’s position and progress.

The different SAI roles have important implications for staff competencies, and therefore, for the training, development and recruitment of SAI staff. Delegates stressed that to be successful, SAIs must attract, develop, and retain staff with the right blend of talent and skills. This could, for example, require SAIs to recruit skills in measuring performance, determining data quality, or assessing information technology systems.



SAIs also increasingly need to consider if they should contract for the specialized skills they need and how contract employees and permanent staff can be brought together to form effective partnerships.

SAIs working with other SAIs (through INTOSAI and other vehicles) should strive to provide and encourage staff training and professional development. Such initiatives could help realize staff potential and inform staff of new concepts, techniques, and methods to fulfill the various roles associated with the design, development, adoption, continuous improvement, and auditing of key national indicators.



Delegates took advantage of the breaks to collect materials available from INTOSAI's various committees and working groups.

### Information Sharing

Many of the delegates emphasized the value of sharing knowledge and information about key national indicators, as well as their specific experiences and lessons learned, with SAIs worldwide. In this regard, the vital role that INTOSAI generally, and the Regional Working Groups in particular, and other cooperative arrangements among SAIs have played in recognizing and responding to SAIs' differing mandates was widely regarded as providing a foundation upon which additional efforts can be built. Delegates identified information that could be shared through a number of venues. For example, SAIs could share their experiences and lessons learned by participating in workshops, seminars, conferences, and events relating to key national indicators organized by international organizations, such as the United Nations (UN), Bretton Woods Institutions (e.g., the World Bank), the Organisation for Economic Co-operation and Development (OECD), regional organizations (e.g., the European Union), and civil society organizations. In addition, many SAIs identified specific roles they wished to see INTOSAI undertake to facilitate work with key national indicators, such as developing guidelines or standards for SAI involvement in this work and related reporting and auditing standards.

### SAIs' Experiences with Measuring Their Own Performance

SAIs can use their own experiences with performance measurement to "lead by example" and inform broader efforts related to key national indicators. SAIs use a variety of indicators to measure their own performance. These include a number of input, output, outcome, efficiency and other measures. While it poses a considerable challenge to adopt and demonstrate best practice in internal management, many audit bodies have the advantage of being staffed by experts in the field and have a pool of knowledge on which to draw. Therefore, SAIs could highlight their successes and describe challenges they faced in measuring their own performance. However,



Delegates from Iraq visited the display of the Environmental Auditing Working Group during a break to discuss environmental issues with working group representatives.

the delegates also noted that there would be great value in sharing experiences and information related to SAI efforts to measure their own performance, assess client satisfaction, and determine contributions to national outcomes and priorities. There was broad understanding that identifying good practice in SAI performance measurement has been a long standing issue for INTOSAI. Therefore, moving forward, efforts to share best practices in SAI performance measurement should be undertaken in close coordination with existing INTOSAI working groups that are working on this matter.

### *Recommendations*

Consistent with the overriding need of maintaining SAI independence and using the independent audit role as a foundation, SAIs should continue to demonstrate their vital interest in bringing about improvements in government performance and accountability. In some cases, this vital interest can be shown through work related to the development, adoption, continuous improvement, and auditing of key national indicators. However, and very importantly, any such efforts related to key national indicators must be sensitive to SAIs' widely differing mandates and capabilities, and differing national needs and priorities. Moreover, it was stressed that the following recommendations are for SAIs' consideration for possible application to their specific circumstances; at no point are these recommendations intended to impose additional mandates or requirements on SAIs. Against this background, the delegates offered recommendations in two areas: (1) matters for individual SAI's to consider and (2) a matter for INTOSAI as an institution.

I. Where possible, SAIs are urged to:

- Consider influencing the development of a legal framework which clarifies the roles and responsibilities of all involved parties in performance management and reporting.
- In countries currently without a system of key national indicators, SAIs could highlight the benefits and related risks of having such a system.
- To maintain independence, SAIs' work could provide policy makers with an understanding of the frameworks, standards, and good practices that will need to be in place to ensure good data to inform the development of key national indicators.

- By remaining independent during the design and development of key national indicators, SAIs could assess and audit the process used to develop the indicators and the system, and audit the quality, validity, and reliability as well as comment on the relevance of the indicator information.
  - As a further step, SAIs could explore how this role and related work would provide assurance to citizens and decision makers that the development process results in information which is both useful and appropriately used by decision makers.
  - Seek opportunities to build the needed institutional capabilities within SAIs in order to conduct work related to key national indicators. This includes, at a minimum, providing sufficient training and development, and deploying staff with the right blend of knowledge, talent, and skills.
  - Cooperate in increasing the capabilities of other SAIs by sharing knowledge and lessons learned in working with key national indicators through exchanges and strategic alliances with other SAIs, the seven INTOSAI Regional Working Groups, and other international organizations.
  - Consider establishing working relationships with civil society organizations that participate in activities related to the development and use of key national indicators to further information sharing and promote the various roles individual SAIs can perform related to developing and using key national indicators to promote government transparency, accountability, and effectiveness.
- II. To facilitate information sharing among its member SAIs and to ensure their success in conducting the various roles related to working with key national indicators, INTOSAI should:
- Establish a working group within INTOSAI to:
    - Collect and disseminate information related to key national indicators, such as independence issues, best practices and lessons learned, benchmarking studies, audit practices and methodologies, and results from related audits and evaluations carried out by members. INTOSAI could disseminate this through a number of venues, including its Web site, articles in the International Journal on Government Auditing, brochures, working papers, seminars, workshops, and conferences or other events.
    - Work in close cooperation and coordination with INTOSAI's Regional Working Groups to reinforce the importance of these groups while at the same time helping to provide an informed context for any efforts to develop global or regional indicators that align with national indicators.
    - Make recommendations to the INTOSAI Professional Standards Committee related to developing and disseminating guidance and standards for SAIs' involvement with and use of performance information in general and key national indicators in particular.
    - Develop—in conjunction with the INTOSAI Development Initiative—related training for SAI staff to share knowledge and enhance skills and abilities.

- Establish working relationships with other international organizations, for example the OECD, Bretton Woods Institutions (e.g., the World Bank), the UN, regional organizations (e.g., the European Union) and civil society organizations, involved in key national indicator efforts to further information sharing and promote the various roles SAIs can perform related to developing and using key national indicators to promote government transparency, accountability, and effectiveness.
- INTOSAI should further direct the Transparency and Accountability Working Group to gather and disseminate illustrative examples of performance measures individual SAIs use to assess their own performance and progress and assure their own accountability on behalf of their nations' citizens.



## Congress Concludes with Appreciation to Mexico and Anticipation of South Africa

As the XIX INCOSAI came to a close on November 10, delegates were unanimous in expressing their gratitude and appreciation to Mr. González de Aragón and his staff, who worked tirelessly to ensure a successful congress. The planning and management of every aspect of the congress was excellent—as was the warm and gracious hospitality offered from the moment delegates arrived in Mexico City—and contributed significantly to making the congress a milestone event in INTOSAI’s history.



Participants enjoyed an evening of music and dance presented by Mexico’s renowned Ballet Folklórico.



A visit to the ancient pyramids of Teotihuacan on the outskirts of Mexico City provided a well-earned break from congress deliberations.



Dr. Josef Moser, Secretary General of INTOSAI, presented gifts of appreciation on behalf of the membership to congress host Arturo González de Aragón (left) and congress manager Benjamín Fuentes (right).



A highlight of the accompanying persons’ program was a day trip to the historic city of Taxco, on the old royal highway between Acapulco and Mexico City, which is famous as a center for silver arts and crafts.

## Invitation to XX INCOSAI

Looking to the future, plans are already under way for INTOSAI's next triennial congress, which will be hosted by South Africa in 2010. The formal invitation was extended by Terence Nombembe, Auditor General of South Africa, and was accepted by acclamation at the closing plenary session. Further plans for the 2010 congress, such as the selection of themes and theme officers, will be decided at the annual Governing Board meeting in November 2008. In 2009, the SAI of South Africa will host the annual board meeting.



### *A note from the Auditor-General of South Africa*

It is an honour for me to announce that South Africa will be hosting the XX INCOSAI in 2010. We look forward to presenting this event for all the SAIs to meet and share knowledge, challenges and best practices.

As SAIs from around the world, our mandates are similar in that we need to add value to our societies by enabling accountability and governance within our respective public sectors. As SAI SA, we are especially aware of the importance of building public confidence in our country.

In South Africa, our democracy is young with the first democratic election held just 13 years ago. It is a democracy for which people sacrificed much. The transition from a state of inequality and injustice to one that provided for universal suffrage was peaceful and internationally regarded as "miraculous".

South Africa consists of a vibrant and highly diverse people. Nobel Laureate Desmond Tutu coined the phrase *The Rainbow Nation* to epitomise our diversity. This rainbow nation's very stability and growth are dependent on a highly functional democracy. That is why we at the Auditor-General of South Africa are serious about fulfilling our constitutional mandate.

Our reputation promise to all our stakeholders is that we exist to strengthen democracy by enabling oversight, accountability and governance in the public sector, thereby building public confidence. We strive every day to make this promise a reality.



South Africa is a wonderful country, rich in natural resources and economically and infrastructurally highly developed. While we can certainly be considered a developed country in some respects, we are, paradoxically, at the same time an emerging market and a developing country.

We are a nation that faces great challenges including high levels of unemployment (25.5%), the spread of HIV/Aids, lack of skills and expertise in many areas, a large part of the population still untrained as well as significant levels of poverty. The increasing budget for social benefits is a clear indication of the continued dependency of many South Africans on the state. Our government has acknowledged the challenges and opportunities and is continually implementing initiatives to address these.

Furthermore, in order to face these and other challenges to build a better South Africa, provision has been made in chapter 9 of the Constitution for a number of state institutions, mandated to help by strengthening our country's democracy. As the Auditor-General we are part of this group, often referred to as chapter 9 institutions. It is in this context that our role as the Supreme Audit Institution of South Africa is critical.

We look forward to welcoming you to South Africa in 2010, where we will further enhance the INTOSAI values at the XX INCOSAI.

We hope that you will also use this opportunity to experience the vibrant South Africa that awaits you.

I thank you

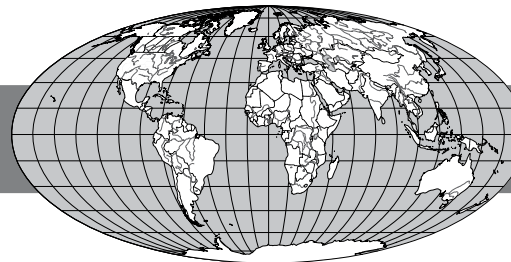


Terence Nombembe  
**Auditor-General of South Africa**





# INTOSAI 2008 Events



<p><b>February</b></p> <p>5–6 Arab-European meeting, Kuwait City, Kuwait</p>	<p><b>March</b></p> <p>17 Finance and Administration Committee meeting, Washington, D.C., United States of America</p>	<p><b>April</b></p> <p>8–9 Subcommittee on Financial Audit Guidelines meeting, London, United Kingdom</p> <p>9 IDI Board meeting, Oslo, Norway</p>
<p><b>May</b></p> <p>TBD 17th Committee on IT Audit meeting, Japan</p> <p>6–9 7th Meeting of the Steering Committee of the Working Group on Environmental Auditing, Tallinn, Estonia</p>	<p><b>June</b></p> <p>2–5 VII EUROSAI Congress and XXXIII and XXXIV EUROSAI Governing Board Meetings, Krakow, Poland</p>	<p><b>July</b></p> <p>6–9 20th Commonwealth Auditors General Conference, Bermuda</p>
<p><b>August</b></p>	<p><b>September</b></p> <p>TBD PSC Steering Committee meeting, Beijing, China</p>	<p><b>October</b></p>
<p><b>November</b></p> <p>12 INTOSAI Communications Strategy Task Force meeting, Vienna, Austria</p> <p>13–14 58th INTOSAI Governing Board, Vienna, Austria</p>	<p><b>December</b></p>	

*Editor's Note:* This calendar is published in support of INTOSAI's communications strategy and as a way of helping INTOSAI members plan and coordinate schedules. Included in this regular *Journal* feature will be INTOSAI-wide events and regionwide events such as congresses, general assemblies, and board meetings. Because of limited space, the many training courses and other professional meetings offered by the regions cannot be included. For additional information, contact the Secretary General of each regional working group.

INTOSAI

